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Author:
U.S. Interstate commerce commission
Title:
Valuation docket no. 863 et al.
Place:
[Washington, D.C.]
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345-714 p. map.

√ 1. Galveston, Harrisburg and San Antonio railway company.

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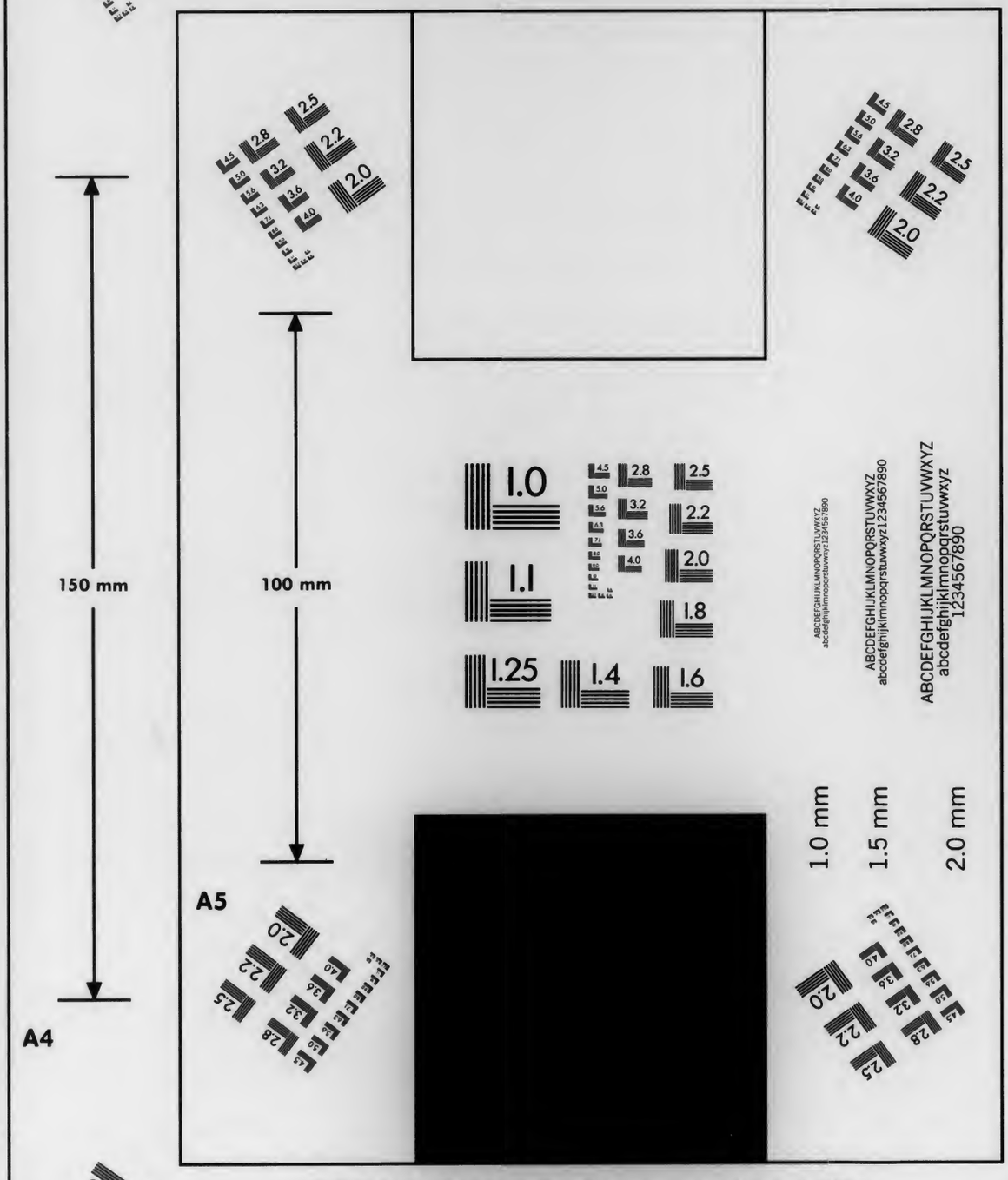

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VALUATION DOCKET No. 863 ET AL.

GALVESTON, HARRISBURG AND SAN ANTONIO RAILWAY COMPANY ET AL.

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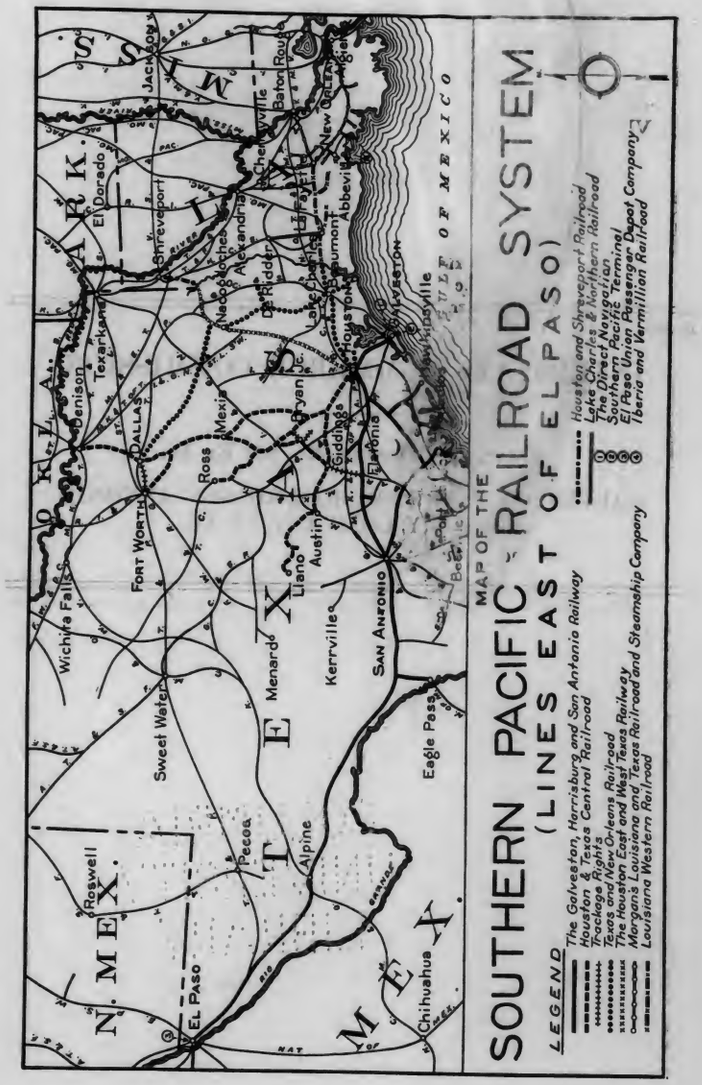

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VALUATION DOCKET NO. 863 ET AL

GALVESTON, HARRISBURG AND SAN ANTONIO RAILWAY COMPANY ET AL.[1]

Submitted January 30, 1929. Decided November 6, 1931

1. Final values for rate-making purposes of the properties constituting what is known as the Atlantic System of the Southern Pacific Company owned or used for common-carrier purposes as of June 30, 1918, found to be as follows.
2. Final value for rate-making purposes as of June 30, 1918, of all properties embraced in this proceeding, used by the Southern Pacific Company (Atlantic System) for common-carrier purposes, found to be $160,265,063, including $9,681,075 for working capital.

J. R. Bell and *Lee O. Cox* for Galveston, Harrisburg and San Antonio Railway Company and others.

Thomas J. Freeman and *B. D. Gresham* for Texas and Pacific Railway Company.

Paul E. Lesh and *Arthur G. Nichols, jr.*, for Western Union Telegraph Company.

REPORT OF THE COMMISSION

DIVISION 1, COMMISSIONERS MEYER, AITCHISON, LEWIS, AND FARRELL

BY DIVISION 1:

Tentative valuations as of June 30, 1918, of the property of The Galveston, Harrisburg and San Antonio Railway Company, hereinafter called the carrier, and of other railroad companies included in this proceeding have been completed and notices thereof given to the carriers and other interested parties. Protests were filed within the statutory periods, hearings have been held, briefs filed, and arguments heard. The Western Union Telegraph Company and The Texas and Pacific Railway Company intervened.

Of the 11 companies whose properties are included in this proceeding 6 are corporations of Texas and have all of their fixed property in that State, while 5 are corporations of Louisiana and have all of their

[1] This report embraces Valuation Dockets No. 863, The Galveston, Harrisburg and San Antonio Railway Company; No. 701, Iberia and Vermilion Railroad Company; No. 728, Houston and Shreveport Railroad Company; No. 737, Lake Charles & Northern Railroad Company; No. 750, The Direct Navigation Company; No. 756, Texas and New Orleans Railroad Company; No. 784, Louisiana Western Railroad Company; No. 804, Houston & Texas Central Railroad Company; No. 842, The Houston East and West Texas Railway Company; No. 883, Morgan's Louisiana and Texas Railroad and Steamship Company; and No. 923, Southern Pacific Terminal Company.

fixed property in that State. All of these companies are controlled, either directly or indirectly, by the Southern Pacific Company and their properties constitute what is called the Atlantic System of that company. In addition to the dockets disposed of in this report, the hearing and argument in this proceeding also included the tentative valuation of the El Paso Union Passenger Depot Company, Valuation Docket No. 854.

The carrier came into existence in 1870, its predecessor having been incorporated in 1850. The Houston & Texas Central Railroad Company, incorporated in 1889, had one predecessor which was incorporated in 1848. All of the remaining companies were incorporated from 1875 to 1906 and none of their predecessors was incorporated before 1848.

The principal main line of the Atlantic System extends from New Orleans, La., to El Paso, Tex., via Houston and San Antonio, Tex. Other main lines extend from Houston to Shreveport, La., from Houston via Dallas to Denison, Tex., and from Beaumont, Tex., to Dallas. There are a number of branch lines. Other important points reached are Fort Worth and Austin, Tex. Each of the companies operates its owned properties. Considering all tracks in which these companies have an interest, 4,930.241 miles are owned and used, 21.061 miles are owned but not used, 14.070 miles are used but not owned, 17.871 miles are jointly owned and used, and 0.757 mile is jointly used but not owned.

PROTESTS OF THE CARRIERS

The protests of the carriers are in part directed generally against the rules, methods, and principles employed by us in the preparation of the tentative valuations. Counsel for the carriers announced at the hearing that, although relying on such objections, they considered that no useful purpose would be served by presenting evidence in support thereof at that time in view of our decisions in previous cases. A statement incorporating matters referred to was read into the record and the right reserved to the carriers to introduce hereafter such evidence thereon as may be necessary in connection with revision of the valuations if and when our rulings with respect to such questions should be changed.

STIPULATIONS

As a result of formal conferences between representatives of the carriers and our Bureau of Valuation with respect to the matters in controversy numerous agreements were reached which were incorporated into the record in the form of signed stipulations. The stipulations showing agreement between the conferees as to both facts and principles are approved and the tentative valuations will

be modified accordingly. Certain of the stipulations show agreement as to the facts but disagreement with respect to the conclusions to be drawn therefrom. Changes required by the agreements on facts without regard to the principle involved will be made.

Our discussion in this report will be confined to matters of protest which were made the subject of testimony at the hearing or are covered by stipulations or concerning which for reasons hereinafter stated we are of the opinion that changes should be made in the tentative valuations.

INVESTMENT IN ROAD AND EQUIPMENT

Protests are made by the several carriers in this proceeding that our summaries of outlays for investment in road and equipment and original cost to date do not include amounts which are said to represent expenditures for construction and additions and betterments charged to income, operation, or profit and loss. Of these amounts some were said to be identifiable in the accounts and some not. The amounts stated to be identifiable were supported by underlying data showing the description of each item and its cost; but it has not been shown that the amounts represent only property in existence on valuation date and that they do not represent, in whole or in part, renewals or replacements of property previously retired and not written out of the accounts. The carriers failed to furnish us with any statements of abandoned property. It is not possible solely from an analysis of the accounts to determine these unproved and omitted facts. The protests are overruled. *Chicago, Burlington & Quincy R. R. Co.*, 134 I. C. C. 1, 16.

Claims are made by the carriers that our summaries of outlays for investment in road and equipment and original cost to date should include certain estimated amounts alleged to represent additions and betterments to machinery and equipment that were charged to operation or to accounts other than the investment account. The equipment on which the additions and betterments were made is included in the inventory of owned and used property reported in the tentative valuation. The actual costs of these additions and betterments are not ascertainable from the records. In accordance with our previous decisions with respect to the omission of estimated costs from our restatement of the investment account, no change will be made.

Other contentions regarding investment and original cost will be discussed under the name or designation of the company concerned.

The carrier.—Contention is made by the carrier that our conditional restatement of its investment in road and equipment account should include $1,610,927.01, representing discount, and $65,254.17, representing commission and expense on funded debt. These are con-

tained in larger amounts which are stated in the tentative valuation as charges to the investment account not in accordance with the present classification of accounts. Under the classification only such part of the discount, commission, and expense on funded debt issued for road and equipment as is equitably assignable to the period between the date of actual issuance of securities and the time when the property acquired or the improvement made became available for the service for which it was intended is chargeable to investment. The carrier has not determined the portion of these amounts that is properly chargeable to the investment account under this principle. It contends, however, that since the above charges and credits were made on its books before the effective date of the present classification of accounts and were proper at the time entered they should stand as made and should not be restated according to a classification of a later date. In our conditional restatement of the investment account, we are only pointing out inconsistencies with respect to the present classification and are not reporting what would be the result on a different basis. *Minneapolis, St. Paul & Sault Ste. Marie Ry. Co.*, 143 I. C. C. 547, 554. The contention is not sustained.

The carrier claims also that our summary of outlay for investment in road and equipment and original cost to date is incomplete in that it fails, among other things, to include $58,500, representing the salaries and expenses of general officers. This amount is a part of a larger amount which was charged to the investment account. It appears that this item of expense was incurred after the carrier began as an operating company, although construction was then proceeding. Under the present classification of accounts the salaries and expenses of general officers are chargeable to investment in road and equipment only while such officers are engaged exclusively in the construction of new road and extensions. There is no showing that the general officers connected with this item devoted all of their time to construction. The tentative valuation in respect of this item is approved.

Protest is made by the carrier that $73,683.95, being part of a larger amount described as losses on sales of investment securities, should be added to our conditional restatement of its investment in road and equipment account. In the tentative valuation it was deducted as not in accordance with the present classification of accounts. The classification provides that such items are chargeable to the profit and loss account. For that reason the protest is overruled.

It is also contended that $31,180 representing payments for services rendered at the legislature were for charter changes and should be added to the investment in road and equipment as conditionally restated in the tentative valuation. The record does not show that

the expenses were in fact paid for charter changes or that the charter had been changed. The protest is overruled.

The carrier claims further that there should be added to our conditional restatement of its investment in road and equipment account and to our report on original cost to date $1,860,508.93, described as discount on sales of capital stock, which amount is included in the tentative valuation among other items not in accord with the present classification of accounts. It states that such charges were properly made to the investment account at the time, and for that reason that they should remain therein. However, under our present classification of accounts discount on capital stock is not chargeable to the investment account, and, as previously stated herein, the conditional restatement is on the basis of that classification. The tentative valuation is approved in respect of this item.

The carrier originally charged to its investment in road and equipment account and later, in the same year, transferred to the profit and loss account an item of $38,180.20 representing the excess cost of new rail and fastenings installed over the value at which the old rail and fastenings were retired. The carrier asks that this amount be included in the statements of investment and original cost. The tonnage of the new rail was less than that of the old rail retired. Under the present classification of accounts, the excess of cost of heavier rails or rails of improved type or quality used for replacements over the cost to replace in kind the rails removed is chargeable to the investment in road and equipment account. The conferees agree that the weight per yard of rail installed or of that retired or of the track material used or retired can not be determined from available information. In the absence of proof of the facts required to determine the excess cost defined in the classification, no change will be made.

Iberia and Vermilion.—Protest is made because our conditional restatement of the investment in road and equipment account deducts and our chapter on original cost to date does not include $10,939.18 described as interest paid a contractor on delayed payments for construction. It was accrued from November, 1892, to August, 1893. The line was constructed between July, 1892, and November 27, 1892, and was placed in operation on the latter date. Since the interest was for the period subsequent to the date when the property was placed in service, it would not be chargeable to the investment in road and equipment account under our present classification of accounts. The protest is overruled.

Lake Charles & Northern.—Contention is made that our conditional restatement of the investment in road and equipment account and our summary of data on original cost to date should include $1,644.32 described as a deficiency in charge to interest during con-

struction due to an error in computation. This amount was neither paid nor accrued in the accounts. Therefore, it was not an item of cost or chargeable to the investment account. No change will be made in the tentative valuation on account of this item.

Morgan's Louisiana and Texas.—In our conditional restatement of the investment in road and equipment account we deducted as not in accord with the present classification of accounts an item of $6,000,000, being part of $10,000,000 in capital stock which was issued pro rata to stockholders in 1891 pursuant to a resolution of the directors stating in effect that the original property was acquired in 1878 below its value and below its original cost, and that on account of the favorable terms of acquisition and of subsequent expenditures out of earnings for improvements and betterments, the capitalization of the company was far short of any adequate or suitable representation of the values of its properties or of the cost thereof. They therefore increased the capitalization by $10,000,000 and provided that $10,000,000 par value of new stock representing the increase should be issued and divided and distributed pro rata among the stockholders. The carrier claims that $411,722.78 was the amount of expenditures out of earnings referred to by the directors.

It is clear that, except as to the portion of the stock allocable to expenditures for additions and improvements, none of the issue represented or was intended to represent cost to or investment of the company in property or anything other than estimated value of existing property. As it did not represent new acquisitions or payment for property originally acquired, it could have no proper place in the investment account.

With regard to the charges to earnings for expenditures for improvements and betterments such charges should not be transferred to investment in road and equipment unless it is shown that the improvements and betterments are still in existence on date of valuation and do not represent renewals or replacements, in whole or in part, of property previously retired that had been charged to investment and not written out of the account. The amount charged to earnings for improvements and betterments which it was the intention of the company to account for at the time of the issuance of the capital stock in question is not known. The protest of the carrier in respect of this item is not sustained.

The investment account of a predecessor contains a credit item of $293,420.63 described as representing the estimated damage to equipment by Federal troops in 1869, which amount is stated to have been transferred to profit and loss account to adjust to $300,000 the estimated cash value of the rolling stock as of January 1, 1869. The carrier claims that the credit was improperly made to the investment account, as it should have been made, if at all, to a depre-

ciation or reserve account. It is admitted, however, that it is not known and can not be determined from available records whether the amount represents in part units not returned by the Government, or cost of equipment retired as well as depreciation on the remainder, or at what values, if any, credits were made in the accounts for any of the equipment referred to subsequently retired. The protest is not sustained.

Texas and New Orleans.—This company contends that there should be added to our conditional restatement of its investment in road and equipment account and to our summary of data on original cost to date $503,200 described as representing discount on bonds. The bonds were issued to various parties on open accounts. The latter accounts include many items besides advances from the creditor companies for property or construction on account of the carrier. Moreover, it is not possible to determine the amounts of bonds which were issued specifically in payment of advances for property or construction, or in fact that any of them were so issued, or whether any of the bonds issued antedated the placing in service of the property acquired. Unless they were issued in payment for and prior to the coming into service of the property constructed or acquired none of the discount could be apportioned to the investment in road and equipment account under our present classification of accounts. The protest is overruled.

Protest is made that our summary of outlay for investment in road and equipment should include $184,000 which is described as the cost of the property of a predecessor. This predecessor company constructed 6.42 miles of road and at the date of sale of the property to the Texas and New Orleans had recorded in its investment account $184,000, consisting of $50,000 in capital stock and $134,000 in bonds. In acquiring the property, the Texas and New Orleans took over the assets of the predecessor and assumed its liabilities. No consideration was given to the $50,000 par value of stock. The assets, other than common-carrier property, exceeded the recorded liabilities by $49,681. 45 which was credited by the Texas and New Orleans to profit and loss. The result of this transaction as shown by the latter's records is that it acquired a railroad 6.42 miles in length and also net assets other than common-carrier property of $49,681.45 with no charge in its investment account to represent the cost of the carrier property acquired. The accounting does not include any amount for the cost of road, but since the present record does not disclose the value of the consideration, if any, given for the common-carrier property acquired, or of the liabilities assumed, we are unable to determine the amount which should be charged to the investment in road and equipment account. No change will be made in our conditional restatement of the account.

Houston East and West Texas.—This carrier claims that $5,906.64, which represents a debit to profit and loss, should be included in our conditional restatement of its investment in road and equipment account, and in our summary of data on original cost to date. It is a part of a larger amount which is stated in the account as representing expenditures for real estate, a portion of which was later sold. The amount mentioned is said to represent the apportionment on an area basis of the cost applicable to the part retained and devoted to carrier purposes. No apportionment was made in the accounts either when the land was acquired or when it was sold, nor has it been shown that the value of the land per unit was the same in the portion sold as in the part retained. No change will be made.

ORIGINAL COST TO DATE

The carriers contend that our summaries of original cost should include amounts which represent expenditures incurred for recording deeds and other conveyances of title, or for miscellaneous, incidental, and attendant costs. It appears that these amounts have been estimated by the carrier and are not supported by the accounting records. No change will be made. Claims concerning original cost to date which apply solely to a particular company are discussed below.

The carrier.—Contention is made by the carrier that $2,604,308.15 described as costs incurred by a predecessor should be included in the summary of original cost to date. This amount was recorded by the carrier as the opening entry in its books for the property at the time of acquisition and was equal to the sum of the capital stock and securities issued for the property. Whether or not it correctly represents the cost to create the property of the predecessor is unknown, as no records of such costs are available. The protest is overruled.

The carrier urges that our summary of original cost should include $155,250 paid to a financial agent by a predecessor for preliminary surveys, employees' salaries, and traveling expenses. It is said to represent money received by the agent upon the sale of stock and retained by him as reimbursement for expenses in connection with the construction of property. There is, however, no specific information that the amount in question represents actual outlay in connection with the creation of property. Consequently it will not be included in our summary on original cost. No change will be made.

The carrier contends further that the summary should include $246,975.06, the aggregate of amounts appearing in open accounts or the books of a contractor for construction of a predecessor's line showing debits to sundry subcontractors and individuals for cash, material, supplies, and the payment of payrolls and vouchers. It is not shown what part, if any, of the amount in question was actually expended in the construction of property on the carrier's lines or, if any part was so

expended, that it is not already included in amounts recorded as expended by the general contractor. The record does not justify the inclusion of the above amount or any specific portion thereof in the summary of original cost.

The carrier claims also that our summary of data on original cost to date should include $29,750.69 described as the cost of ties for completing construction of a predecessor. The major part of the amount was for ties charged to material on hand account. The record does not show the portions of cost respectively assignable to installation of additional ties, if any, replacements of ties already in the track, or maintenance. The contention has not been sustained.

Other carriers, parties to this proceeding, protest individually that our tentative summaries of data on original cost to date, as they relate to their respective properties, should be revised to include certain amounts which they urge have been erroneously omitted. These amounts represent various alleged expenditures by the respective carriers or their predecessors which have been omitted from the data on original cost, and their inclusion therein is opposed by the bureau as contrary to our classification of accounts or to our prior decisions. The items in dispute fall generally within the following descriptions: (a) Stocks and bonds issued during construction, the considerations and the purposes for which they were issued being conjectural, and uncertainty existing as to what part, if any, of the proceeds was used for the creation of property; (b) interest paid on funds and recorded in such manner that it is impossible to determine with any degree of certainty what portion, if any, of the total should or could be assigned to the construction period, and interest paid on moneys borrowed during the construction of road, but without indication whether for interest accrued prior to the time the property was put into operation or subsequently thereto; (c) amounts representing depreciation and renewals of equipment and credits to reduce the recorded value of equipment to an appraised value, credited to the investment account, but without information whether any further credit was made to the investment account upon the final retirement of the equipment or whether any of the equipment involved in the credits was in service on date of valuation; (d) expenditures for changes of road and rail, the record leaving it a matter of doubt whether they represent new property installed or merely replacements of property already charged to investment accounts and whether proper, or any, credits were made for corresponding retirements; (e) amounts claimed to represent the purchase price paid by the carrier concerned for completed or partially completed road, but not the original cost to the person or company that created the road and dedicated it to public purposes; and (f) expenditures of various kinds and by various roads under circumstances and recordings of such

character that it is not possible for the carriers concerned or for us to ascertain from the records whether the outlays were in whole or in part for property created and dedicated to public service or for operating or general corporate purposes.

These matters have been submitted by stipulations which show agreement between the carrier and the bureau as to all known facts but disagreement as to conclusions. It would serve no useful purpose to detail each set of facts or to discuss each contention or principle involved. The general summary above stated sufficiently indicates, in our opinion, the nature of the questions and the major and ultimate facts underlying the contentions. Similar facts and contentions have been before us in other valuation cases in the decisions of which we gave reasons why the contentions should not be sustained. For similar and analogous reasons the contentions of the protesting carriers on these controverted matters of claimed original cost are overruled.

It is contended by the Morgan's Louisiana and Texas that there have been erroneously excluded from our findings on the cost of lands in the tentative valuation amounts aggregating $495 described as the cost of parcels located on the banks of the Mississippi River, $1,132.60 described as expenditures for recording deeds and other conveyances of title, and $1,759.38 described as costs to the donors for lands donated. The areas represented by the $495 have been excluded, as they are parts of the public domain. Moreover, the amount has not been included as the cost of rights in public domain, as it represents amounts recited in deed considerations not supported by accounting records. The $1,132.60 represents alleged recording costs which are not supported by accounting records, and for that reason should not be included in actual costs. The carrier asserts that the item of $1,759.38 is properly includible as original cost, under a provision of the classification for investment in road and equipment prescribed by us that the investment account shall be charged with the estimated value at time of acquisition of right-of-way and other road and equipment property donated to the carrier, except that unless authorized by us no charges shall be made to these accounts after July 1, 1914, for donations received prior to that date. The amount stated represents the costs to donors of lands donated to the railroad prior to 1914, and the record affords no basis for an estimate of the value of such lands at time of acquisition. The contention as to the three items is overruled.

OWNERSHIP OF LINE, SIERRA BLANCA TO EL PASO

The railroad between Sierra Blanca and El Paso, Tex., 92.15 miles, was included in the tentative valuation as owned and used by the carrier. Under the subject of leased railway property the tentative

valuation states that 90.38 miles between the above points is owned by the carrier but used jointly with The Texas and Pacific Railway Company, the terms of the lease being given. The Texas and Pacific by a petition of intervention sets forth the claim, among others, of a joint and equal ownership and use with the carrier of the 92.15 miles of railway between the above points, based upon what is known as the Gould-Huntington agreement of November 26, 1881.

The Texas and Pacific claims also that it furnished 40 or 45 miles, more or less, of joint-track right of way between Sierra Blanca and El Paso across lands acquired by it from the State of Texas and otherwise; and that 6 miles, more or less, of track existing on valuation date between Fort Hancock and Porter (now Iser) were located and constructed by the carrier on the right-of-way old grade, or lands, of the Texas and Pacific, which the latter's receivers under order of the court leased to the carrier. The intervener, therefore, contends that one-half of the value of the 92.15 miles of railway, including lands, should be allocated to it as owned and used, and that in the event the first contention be not sustained, we should value to it that portion of the joint road and telegraph lines constructed upon the right of way furnished by it and also so much thereof as is located upon right of way leased to the carrier as aforesaid. These contentions will be considered in order.

The rights of the Texas and Pacific between Sierra Blanca and El Paso under the Gould-Huntington agreement were considered by us in *Texas & Pacific Ry. Co.*, 29 Val. Rep. 483, and we concluded on the record in that case that they were merely trackage rights and not rights of ownership, joint or otherwise. While the record now under review is broader and more comprehensive of the facts than the record considered in the Texas and Pacific proceeding, the additional facts now before us are in our opinion such as to confirm our conclusions announced in that case. They show among other things that from the beginning the Texas and Pacific has paid rental for its use of the property on a capitalized basis; that its accounting has been on the basis of rentals; that the taxes on the property have been assessed against and paid by the Galveston, Harrisburg and San Antonio; and that the latter company has controlled operations and issued the regulations therefor. There is nothing in this record that would warrant a reversal of our conclusions on this matter announced in the Texas and Pacific report, and they are reaffirmed.

On account of the location of the Texas and Pacific in Texas, it obtained patents under the laws providing for such grants from the State to a large body of land both east and west of Sierra Blanca. The right of way claimed to have been furnished by the intervener extended across land so patented. But it should be observed that according to the revised statutes of Texas, 1879, a right of way 200

feet wide was reserved to any railroad company incorporated under the laws of the State through any lands granted to any railroad company and through any public lands. The right of way of the carrier was acquired under this statute. All of the patented land of the Texas and Pacific had been conveyed to others before the end of 1887, that company reserving a right of way 100 feet in width across any of the lands conveyed which were then occupied by its railway. As the Texas and Pacific line lay eastward from Sierra Blanca, this reservation evidently refers to the right of way east of that point. On valuation date the intervener had no ownership in the patented lands referred to above. Under the laws of the State, the carrier had all the rights of ownership in the right of way of the original line across the patented sections. The intervener did not include the right of way or lands now claimed in its returns to us in response to our valuation order requiring from carriers a statement of their lands owned or used. On the other hand, the lands in dispute were included in the returns of the Galveston, Harrisburg & San Antonio, showing conveyances to it from private parties.

With regard to the 6 miles of the carrier's road which the intervener contends was constructed on the latter's right of way and old grade between Fort Hancock and Porter, and leased to the carrier, the evidence shows as follows: That the track of the carrier is a minimum of 142 feet from the center of the old grade of the intervener between these points; that where the tracks of the carrier are in the closest proximity to the center of the old grade the railroad is on land granted by the State to the Texas and Pacific which was conveyed by the latter to others prior to the end of 1887; that at Fort Hancock a wye of the carrier crosses the old roadbed of the intervener; and that a part of the 6 miles in question was occupied by a public road and a part by an irrigation ditch. The contention of the intervener is not sustained by the record.

COST OF REPRODUCTION NEW

Grading.—Our failure to add 10 per cent to the measured quantities of embankment, to provide for shrinkage, is protested by six [2] carriers involved in this proceeding. In the stipulations hereinbefore approved these carriers agree with the bureau upon unit prices, but protest that additional quantities should be included to care for shrinkage. The tentative valuations comprehend reproduction on the 2-way method by assuming that cuts would be paid for by excavation measurement and fills by embankment measurement, the same as during original construction. The carrier asserts, however, that 10 per cent additional for shrinkage should be included in the

[2] The Galveston, Harrisburg and San Antonio, the Texas and New Orleans, the Houston & Texas Central the Houston East and West Texas, the Houston and Shreveport, and the Southern Pacific Terminal.

embankment measurement, giving as a reason that the embankment shrinks after its acceptance as completed by the railroad company. There is no disagreement that earth fills constructed on the 2-way basis occupy approximately 10 per cent less space than the cuts or borrow pits from which the material was taken.

Grading specifications used frequently on contract work in the territory of the lines of the carriers provided that the embankment should be built to true profile grade and shrinkage deducted from the final estimate unless direction was given to add material to the embankment to offset the shrinkage. The deductions for shrinkage in embankments built to profile grade were 5 per cent for scraper work, 7 per cent for wagon work, 10 per cent for casting or shovel work, and 15 per cent for train work. The carrier's witness deduces from these specifications that it was meant to equate the embankment measurements to excavation measurements and that the deduction of the above percentages was only to take care of the initial swell in the excavated material and not to provide for the ultimate shrinkage, which would still remain to be accounted for. He also stated that on many of the carriers' lines as well as on other lines in the territory, the practice was to pay for 2-way embankment without any adjustment for shrinkage. This was corroborated by a contractor of extensive experience on construction in the same territory. The witness's own practice was to require the contractor to provide only such material above the standard section as would care for shrinkage during construction. On the basis of the claimed practice of the territory both of the carrier's witnesses were of the opinion that the contractor placed about 10 per cent less material than would have been required if yardage had been adjusted to excavation measurement.

In support of the tentative valuation, the bureau introduced an exhibit which contained expressions of opinion from a number of engineering authorities as to the amount of shrinkage in an earth embankment. These opinions varied widely. They disclose that there was no general agreement as to the amount either of ultimate shrinkage or of the shrinkage during construction. But in the light of tests which have been made, it appears that there is some settlement after traffic begins to move over a road. This fact was recognized in our report in *Texas Midland Railroad*, 75 I. C. C. 1. A witness for the carrier testified that a comparison of measurements made by the bureau on embankments of two lines in Texas of 8 miles and 5 miles respectively, in length, with measurements of the same embankments at the time of original construction shows that between the date of original construction and the date of inventory there had been a shrinkage of 19.7 per cent in volume on the 8-mile line and 5 per cent on the 5-mile line. The elapsed time between the measurements was 10 years for the former and four years for the latter.

Engineers often attempt to place sufficient material to take care of all of the shrinkage on embankment at the time of setting the finishing stakes, but find it impracticable to do so in instances where it is liable to make the fill too high after the track is laid. If impractical to enlarge the fill, part of the shrinkage may be left off and the embankment allowed to settle below grade after finishing construction. Also recourse is sometimes had to widening the embankment to care for shrinkage.

The bureau asserts, however, that in the instant case the inventoried embankment quantities need not be adjusted under the 2-way method to compensate for shrinkage because any shrinkage there may be has been compensated for in the unit price. In *Texas Midland Railroad, supra*, the quantities of embankment in place on date of valuation were increased 10 per cent on account of shrinkage, this being upon the supposition that these additional quantities existed when the contractor had completed his work. It was assumed that those quantities had been measured and paid for and that the embankment on date of valuation was 10 per cent less in size owing to shrinkage. But the unit price for embankment was reduced 10 per cent below the price for excavation, it being recognized that shrinkage can be allowed for either in the quantities or in the price. In *San Antonio, Uvalde & Gulf R. R. Co.*, 141 I. C. C. 231, 233, and other cases, shrinkage has been accounted for in the price. If the latter practice is followed, the price must be adequate to care for shrinkage. In support of its contention the bureau introduced an exhibit detailing the conversion of certain 1-way grading prices to a 2-way basis. The average 1-way price for common excavation applied in our reports on certain railroads in Oklahoma, Kansas, Colorado, and Texas was 20.2 cents per cubic yard, including haul; and the average 1-way contract price derived from cost data in substantially the same territory was 17.6 cents per cubic yard, including haul. The average price for Texas was the same. The 1-way price of 20.2 cents was converted to a 2-way price basis by dividing the total reproduction cost of grading computed on the 1-way method by the 2-way quantities, on the same roads, as actually measured. This eliminated any question of shrinkage, since the 1-way cost, thus converted, included sums to represent 10 per cent additional quantities to compensate for shrinkage. The result was an average of 14.9 cents per cubic yard for 2-way work, as compared with 16.2 cents, the average unit agreed upon in the stipulations as approved. The carrier objects that only a very small percentage of the data used by the bureau in its conversion of 1-way prices into 2-way prices represents grading on lines in Texas. However, the cost data on 1-way grading show that the average cost per cubic yard for common excavation on these lines was the same as the average for projects in Texas.

The grading data considered in the conversion study just mentioned showed that the yardage of embankments averaged about 65 per cent of the total yardage of 2-way work. And the percentages of embankments was no greater than this figure on the carrier's lines. It is obvious that any allowance or adjustment for shrinkage in the price for 2-way work should represent only a change in embankment quantities, since there can be no shrinkage of the excavation. In any event, it must be admitted that the percentage of embankment quantities allowable for shrinkage on 2-way work is in doubt, since it depends on contract specifications and the practice of engineers. If, however, it is as much as 10 per cent, the conversion test mentioned does not indicate that the prices agreed upon in the instant case are not sufficient to take care of this item. Nor have the carriers shown that these prices are inadequate to care for shrinkage. The protests are not sustained.

Loss and waste of track materials.—The tentative valuations include for loss and waste of track materials 3 per cent of measured quantities for track spikes, 1 per cent for track bolts, 2 per cent for angle bars, and 2 per cent for nut locks. Nothing has been included for loss and waste of ties, rails, and tie-plates. The carrier alleges error and contends that loss and waste should be compensated for by increasing the measured quantities as follows: 2 per cent for ties, 0.8 per cent for rail, 1 per cent for tie-plates, 5 per cent for track spikes, 2 per cent for track bolts, and 12 per cent for nut locks. In support of these percentages data were presented showing that on certain railroad lines loss and waste suffered amounted, on an average, to approximately the above percentages. These percentages were obtained from the data by finding the relation between the materials in place in the track upon completion and those that were charged to the work. In previously decided cases, we pointed out that this method is unreliable, as a large part of the alleged loss and waste arose from the diversion of materials to other purposes, and stated that in our opinion the actual loss and waste of ties and rail that occurs on construction is not appreciable in extent. The provisions made in the tentative valuation for loss and waste of track material seem ample. The carriers' contentions are not sustained.

Ties.—The carriers contend that freight on ties should be computed at full published tariff rates from the points of origin to logical receiving points on the lines of the carrier under reproduction In so far as this contention is based on the assumption that the entire property under valuation must be considered nonexistent and therefore not available for transportation purposes it is rejected. *Atchison, Topeka & Santa Fe Ry. Co.*, 127 I. C. C. 1. The methods employed in

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the tentative valuations for computing freight on ties, as modified in some instances by the stipulations heretofore approved, conform with those approved by us in that case. Specific objections to the application of company-haul rates for intrasystem haul, to the use of 5 mills per ton-mile as the measure of company-haul costs, and to the computation of foreign-line hauls at so-called reasonable commercial rates in lieu of the published tariff rate, were made the subjects of reservations by the carriers. Concerning the matters of company-haul rates for intrasystem haul and the use of a rate of 5 mills per ton-mile for company haul, we adhere to the conclusions announced in the Santa Fe case. Consequently the only question remaining for our determination relates to the measure of commercial haul to be used in the computation of the necessary foreign-line transportation. The carriers contend that commercial freight rates should be applied from the points of origin to the material yards and receiving points and that 1 cent per ton-mile should be allowed for haul over a carrier's own line for ties laid on that line. A witness for the carriers testified that prior to date of valuation it was the practice to charge freight at commercial rates on all commodities handled by one of these companies for another. Our conference rulings were placed in evidence in order to show that the carriers were compelled by us to make such charges.

In *Atchison, Topeka & Santa Fe Ry. Co., supra*, we reached the conclusion that all of the lines of a carrier under valuation must be assumed to be nonexistent at the beginning of the reproduction program and then to be reconstructed under a reasonable and practical plan. The lines of the carriers here involved are of such extent that under such a plan they would be built and opened for operation in sections. On certain sections the ties would have to be hauled to material yards over the lines of connecting carriers, and for others the completed portions would be utilized for hauling. The tentative valuations will be revised accordingly, using 7 mills per ton-mile for such foreign-line haul as would be necessary and 5 mills per ton-mile for company haul.

Rail.—The carriers and the bureau are in agreement with respect to the unit prices, f. o. b. the points of origin for new rail, both open hearth and Bessemer, but disagree as to the proper freight charges, purchasing expense, and material-yard costs to be added thereto. The bureau, with respect to freight, recommends a modification of the reproduction program assumed in the tentative valuation to agree with our decision in *Atchison, Topeka & Santa Fe Ry. Co., supra*. The recommendation also proposes the computation of the required foreign-line freight at an estimated rate of 5 mills per ton-mile and the substitution of open-hearth rail for Bessemer rail in all instances where the former, because of shorter hauls, could be reproduced at a

lower cost. The carriers contend that freight should be computed at full tariff rates from the points of origin to the receiving points on their respective lines and object to the substitution of open-hearth rail for Bessemer rail. As here presented the issue with respect to transportation of rail is identical with that discussed under ties. For the reasons there stated the bureau's proposed method of computing freight is approved.

Open-hearth rail is superior to Bessemer rail, but because of the location of the respective points of origin it can be reproduced cheaper than Bessemer rail on some of the lines of the carriers. We accordingly assume that if the carriers' lines were reproduced, open-hearth rail would be substituted for Bessemer rail in instances where its use would be more economical. The recommendation of the bureau in this respect is approved.

The carriers contend that purchasing expense was not included in the cost of new rail in our estimates. They insist that 0.5 per cent of the cost of rail should be added thereto for this item. On date of valuation and for several years prior thereto, 0.5 per cent of the cost of rail was charged for such expense on the carriers' books. This percentage was stated to be based on actual cost. It is also said to be supported by data showing the cost of purchasing materials on a number of railroads. These data were for railroad construction material costing $361,389,028 on which the purchasing expense was 0.62 per cent of the total. It is contended that 0.5 per cent is the minimum percentage which should be applied to cost of rail for this item.

An allowance for purchasing expense was not included in the unit price of rail in the tentative valuation, although our classification of accounts provides for the inclusion of such an expense in the rail account. The data submitted by the carriers, however, do not support any specific percentage for rail. A great variety of construction material was included therein and the specific percentage apportionable to rail was not stated. Since rail is an article carrying a standard price and is bought in large quantities the expense incident to its purchase would be negligible. The tentative valuation in this respect is approved.

In the tentative valuation 50 cents per gross ton was used in computing material-yard expense for rail. The carriers protest that 75 cents per gross ton should be used. Data placed in the record by them pertaining to one of their own lines and four foreign lines, all in Texas, show that the average expense in material yards for handling all material passing through the yards was $1.14 per net ton. On the carriers' line mentioned it was found that the cost of handling rail was 72 cents per gross ton and the cost of handling all materials 86 cents per net ton. If the ratio between these two costs be applied to the figure of $1.14 above, the result might indicate that the cost for

handling rail on all of the projects of the data was 94 cents per gross ton. But some of the items making up the carriers' line costs have been prorated from other costs and are not costs that were originally apportioned to the materials shown in the data as having been handled. The data that pertains to foreign lines were considered in *Atchison, Topeka & Santa Fe Ry. Co., supra*, and held insufficient to sustain the protest of that carrier for an increase above the 50 cents per gross ton used for material-yard handling of rail in the tentative valuations in that case. Data on one additional project is presented here. It shows costs lower than the average for the others. The protest in respect of this item has not been sustained.

Relay rail.—Relay rail was tentatively priced at $25 per gross ton, exclusive of material-yard expense. The carriers do not protest the application of this price to the quantities of relay rail inventoried in Louisiana, but contend that there should be an increase of 50 cents per gross ton in the base price of such rail found on their lines in Texas. An exhibit showing sales of relay rail and its cost at Texas points from 1910 to 1915 was submitted by the protestants. This rail was sold principally to railroad companies, and the average price on 57,778 tons at Texas points was $25.58 per gross ton.

The data include sales between allied lines of the Southern Pacific system, which it is contended by the bureau are not normal sales. If these sales were excluded from the data the average price covering 39,445 tons would be $25.34 per gross ton. The remaining data show, among others, four sales comprising 4,454 tons, in 1912, by the Missouri Pacific Railway to the National Iron and Steel Company, at an average price of $18.37 per gross ton. This price is out of line with other prices in the data and it is suggested that the purchaser's business indicated that the rail sold was not in such condition as to be suitable for relaying in a track. Excluding these sales, the average price for the remaining 34,991 tons was $26.22 per gross ton.

A witness for the bureau testified that its unit price for relay rail had been developed without regard to the condition or quality of the rail in the track on valuation date. It was said to be an average of the prices shown in the data for sales in the territory, checked by prices obtained from trade journals, relay-rail markets, and second-hand dealers, which prices include transportation costs. It is considered that relay rail is delivered at this price f. o. b. cars at connecting points on the carriers' lines with other principal railroads.

In preparing for the valuation of carrier properties, carriers were requested to report their sales of relay rail. For the State of Texas the quantity thus reported is stated by the bureau as 27,319 tons. It was sold at an average price of $25 per gross ton.

In previously decided cases we have stated that in our opinion the proper price to apply to relay rail is the price prevailing in the

general territory under consideration. The data presented by the carriers represent a more complete assembly of sales in Texas than those submitted by the bureau. It supports the base price of $25.50 per gross ton proposed by the carriers, which is approved. The tentative valuations will be modified accordingly.

Ballast.—In our reproduction estimates, transportation of ballast over any of the carriers' lines destined for use on the construction of another was computed at the company-haul rate. The carriers protest that it should be calculated at commercial tariff rates over Southern Pacific lines other than the one being reproduced. It is conceded that the properties do in fact constitute a system of railroads. But the testimony shows that the Southern Pacific lines in Texas and Louisiana charge commercial rates on all freight handled by one company for another, and that the regulations in effect require that this be done on materials and supplies used in constructing new lines under separate charter. Similar evidence was found insufficient in *New York Central R. Co.*, 27 Val. Rep. 1, 16, to warrant a change in our decision in *Atchison, Topeka & Santa Fe Ry. Co., supra*, approving the use of company-haul rates for intercompany hauls within a system. The tentative valuations are approved in respect of this item.

Station and office buildings.—We inventoried as carrier property, owned and used, certain houses at El Paso, Tex., used as residences by the carrier's resident engineer, division superintendent, and master mechanic. The buildings are located on land which forms an integral part of shop and terminal lands of the carrier. The bureau recommends that they be reclassified as noncarrier. No rental is charged for the use of the residences. It is agreed that the employees using them could readily obtain accommodations in the city of El Paso without the assistance of the carrier. The carrier opposes the recommendations and contends that in the operation of its road it is desirable and necessary that the operating officials mentioned be readily available at all times, and that they are better able to serve the carrier by reason of the proximity of their dwellings to the carrier's terminal. It asserts that the use of these dwellings by their occupants constitutes the equivalent of part payment of salary and as such is chargeable to operating expenses. We have heretofore held that where employees can obtain suitable accommodations without the assistance of the carrier, dwellings occupied by them, although owned by the carrier, will be considered noncarrier property and so classified. *Minneapolis, St. Paul & Sault Ste. Marie Ry. Co., supra*, page 575. The recommendation of the bureau is approved and the buildings and the land upon which they are erected will be reclassified as noncarrier.

A portion of a frame warehouse at Sanderson, Tex., is leased by the carrier to a mercantile concern which handles its own shipments of

freight into and out of the building. The entire warehouse was included in the tentative valuation as carrier property, owned and used. The bureau recommends that the leased portion be reclassified as noncarrier. The carrier claims that the warehouse, including the leased portion, is a facility used and useful in its business as a common carrier. It asserts that expense to it incident to handling the lessee's shipments was thereby eliminated. The fact that the lessee receives and ships goods over the carrier's road does not justify a common-carrier classification of a facility leased to a private party for purposes of carrying on a noncarrier business. The recommendation of the bureau is approved.

The bureau recommends that 43.7 per cent of the reproduction cost of a certain warehouse inventoried to the Texas and New Orleans as owned and used should be reclassified as noncarrier. The portion of the building in question was leased to a private party from 1916 to 1926, but the entire building was used exclusively by the carrier for carrier purposes before 1916 and after 1926. The exclusion of that portion of the structure leased to a private party and used for noncarrier purposes on date of valuation from the inventory of carrier property is approved.

A building at Houston, Tex., leased to and used by the United States Government as a railroad terminal post office on date of valuation, was included in the tentative valuation as owned and used. The bureau recommends that it be classified as noncarrier. The Houston & Texas Central, the owner, contends that if its property were to be reproduced it would be necessary to reproduce the building to provide requisite facilities for handling mail. However, on valuation date the building was devoted to noncarrier purposes, and the tentative valuation will be changed as recommended.

The Houston & Texas Central owns a building at Navasota, Tex., adjoining its freight depot, which is leased to and used by a private party as a grocery warehouse and was classified as noncarrier in the tentative valuation. The owner has the privilege of discontinuing the lease if at any time the structure is required for railroad purposes. The railroad company contends that the lessee performs a service in the handling and storage of freight as consignee which would otherwise have to be furnished by carrier forces. In accordance with previous decisions concerning similar structures this structure is found to have been properly classified as noncarrier.

A cottonseed warehouse at Burton, Tex., owned by the Houston & Texas Central, was leased to a private party on date of valuation. It was included in the tentative valuation of that carrier as owned and used. The bureau recommends that it be reclassified as noncarrier. The recommendation is approved.

On valuation date, the Southern Pacific Terminal Company owned a warehouse and office building, and a cotton shed, yard, platform, and fence, at Galveston, Tex. These structures were used by private parties for private purposes under lease, and were classified as noncarrier property in the tentative valuation. The terminal company contends that the structures should be reclassified and included as common-carrier property. In the case of the warehouse and office building, it urges that in operating the warehouse the lessee was performing a common-carrier function, and that in effect the lessee was its agent. The lease covering this warehouse provided that it should be used as a public warehouse for the storage of metals and metal products; that the lessee should assume full responsibility for the handling of freight into and out of the building, and should make such reports thereon to the lessor as the latter might require; that the necessary electric current for power and lighting should be furnished by the lessor; and that the building and machinery should be maintained in good repair by and at the expense of the lessor. The structures were properly classified as noncarrier, and no change will be made. *California Western R. R. & N. Co.*, 141 I. C. C. 797, 803.

The terminal company also owns a warehouse and office building at Galveston which on date of valuation was under a lease containing substantially the same terms as those recited in the preceding paragraph. This warehouse was classified in the tentative valuation as owned and used. The bureau recommends that it be reclassified as noncarrier. The recommendation is approved.

Fuel stations.—An oil station at Miller's Switch owned by the Houston & Texas Central was classified in the tentative valuation as noncarrier. The company protests the classification as erroneous. The oil station was formerly used for storing the company's fuel oil, but in 1914 it was leased to an oil company and used by the latter for storing oil to be shipped to points on the railroad. The railroad company contends that this arrangement resulted in a large increase in its profitable business. The classification of the oil station as noncarrier is found to be proper and is approved.

On date of valuation, the Southern Pacific Terminal Company owned an oil terminal at Galveston which was leased to the Rio Bravo Oil Company. It was classified in the tentative valuation as noncarrier and the terminal company protests. The oil company is a subsidiary of, and all of its stock is owned by, the Southern Pacific Company. Under the lease, the terminal company had control of the maintenance and repair of the oil terminal. The oil received at the terminal was for the use of the carrier and other Southern Pacific lines as fuel in their operations. Agreements were made between the oil company and the Southern Pacific companies in which it was

stipulated that the oil company "is employed by the railroad companies as their agent for inspecting, measuring, receiving, distributing, paying for, and accounting for all fuel oil purchased by them." The oil company pays rental for the property, but does not do commercial or outside business. The above statement of facts is contained in a stipulation and no testimony was presented at the hearing. The stipulation does not contain information as to the relationship or accounting between the oil company and the several railroads served by it under the agreements sufficient to enable us to determine whether the oil terminal is operated as a part or adjunct of a private concern for profit or as a common-carrier facility of the Southern Pacific system with the Rio Bravo Oil Company acting as an agency or clearing house of the system railroads for operating and accounting purposes only. In the absence of proof that the oil terminal is such a facility of the system the protest is overruled.

Grain elevators.—A grain elevator at Galveston is owned by the Southern Pacific Terminal Company, but on date of valuation was used under lease at a substantial rental by the Rosenbaum Grain Company. This property was classified in the tentative valuation as noncarrier. The terminal company protests the classification. By the terms of the lease electric current for power and lighting purposes is furnished by the terminal company. To the extent that it has control of the routing, the grain company delivers all shipments to such railroads as the terminal company designates. If the volume of grain handled be not satisfactory to the lessor, it may terminate the agreement upon giving 60 days' written notice. The annual rental is $30,000. The agreed cost of reproduction new as of date of valuation is $420,206. The terminal company contends that the elevator is an integral part of the common-carrier facilities afforded the public in the distribution of grain and that without such an arrangement a large part of its grain traffic through Galveston would be lost. The elevator has been properly classified as noncarrier. *Atchison, Topeka & Santa Fe Ry. Co., supra*, page 57.

Telegraph and telephone lines.—Five [3] of the carriers involved in this proceeding contend that they have the exclusive use of certain wires owned by the Western Union Telegraph Company for which no amounts have been included in the tentative valuations, and that such wires together with proportionate parts of the costs of supporting poles and appurtenances should be inventoried to the respective carriers as property used but not owned. Both the Western Union and the carriers may send messages over these wires in case of interruption of use of other wires ordinarily used by either. Also there are reciprocal provisions in the agreements between the Western

[3] The Galveston, Harrisburg and San Antonio; Texas and New Orleans; Louisiana Western; Houston & Texas Central; and Morgan Louisiana & Texas R. and S. Co.

Union and the carriers whereby rights and services are extended by one party to the other. This property has been properly excluded from the tentative valuations. Although the Western Union may not use continuously the wires in issue yet its use thereof is sufficient to bring it within the rule followed by us, that common-carrier property owned by one carrier and used jointly by it and another carrier should be inventoried exclusively to the owning carrier as owned and used. *Danville and Western Ry. Co.*, 84 I. C. C. 227, 230.

The Western Union urges that by contracts with the Houston East & West Texas and the Houston and Shreveport the telegraph facilities owned by these roads were leased to it, and therefore that such telegraph property should be shown in the valuations of the owners as owned by them but used by the telegraph company. The contracts provide that the telegraph lines and wires are to be used jointly by the Western Union and the railroad companies. Whether or not there is actual joint use is not of record. In any case the property is classified properly in the tentative valuations as owned and used by the owners, and no change will be made.

Storage warehouses.—Morgan's Louisiana and Texas Railroad and Steamship Company owns two warehouses and a warehouse office at New Orleans, the ground floors of which were used by that carrier on date of valuation, and the other floors by a warehouse corporation under lease. In the tentative valuation 25 per cent of the reproduction cost of the structures was included as owned and used for common-carrier purposes, and 75 per cent was considered as relating to noncarrier property. The carrier protests that in each case the entire building should be classified as owned and used. It further contends that in any event 25 per cent of the total reproduction cost is inadequate to reflect the cost of that portion of the structures devoted to carrier uses, since on reproduction of the carrier's used portions it would be necessary to reproduce the entire foundation, walls, and roof in order to make the ground floors usable. The reproduction costs of the structures were divided on the basis of the area of floor space used by the respective parties. The protestant has submitted no evidence which convinces us that this basis is inapplicable. The classification of the portion used by the warehouse corporation as noncarrier is approved, and the protest as to the method of and percentage used for dividing the total reproduction cost is overruled. The value of the land supporting the building will be apportioned between carrier and noncarrier on the same percentage basis.

This railroad also owns a warehouse at Gretna, La., which was leased to a mill company and used for noncarrier purposes on date of valuation. The lease provided for termination at the will of either party on 90 days' notice. The warehouse was included in the tenta-

tive valuation as owned and used. The bureau recommends that, as the warehouse was not used for transportation purposes, it should be reclassified as noncarrier. The recommendation is approved.

A warehouse at New Orleans owned by the same company was classified in the tentative valuation as noncarrier. On date of valuation it was leased to and used by private parties for private purposes, but the railroad company reserved the possession and exclusive use of all tracks running through the buildings and of the land on which such tracks were located. The company protests that the structure should be classified as carrier. The contention is overruled.

Wharves and docks.—Certain piers and structures at Sabine Pass, Tex., were excluded from our reproduction estimates of carrier property and classified as noncarrier. In the stipulations hereinbefore approved a portion of these facilities was reclassified as carrier property, owned and used. On date of valuation the remainder of this property was being used by private companies under lease, some of it under an agreement that the owner could upon 30 days' notice have the property returned if necessary for transportation purposes. The Texas and New Orleans protests the noncarrier classification and contends that the entire property should be included as owned and used for common-carrier purposes because if for any reason traffic could not be accepted at New Orleans or Galveston these facilities at Sabine Pass would be available and useful for transportation needs. It insists that these facilities are needful for future expansion and growth in the territory. However, as the property was leased to noncarrier corporations and was used for private business, the noncarrier classification is approved.

Miscellaneous structures.—A warehouse at San Antonio, Tex., was classified in the tentative valuation as noncarrier since it was leased to a grocery company and used for private business. The carrier protests that it should be classified as carrier because the availability of the structure for the purpose of the lease served to secure the business of the user for the carrier. As the warehouse was not used for carrier purposes, its present classification is approved.

For similar reasons, the protests against the classification of a freight depot at San Antonio, a cotton compress at Galveston, a masonry building at New Orleans, and a warehouse at Algiers, all leased to and used by private parties for private purposes, as noncarrier property are overruled.

The carrier owns a cotton warehouse at Galveston, Tex., which has been intermittently leased to private parties for the storage of cotton. On date of valuation it was not leased, and there is no specific evidence that it was used either for carrier purposes or for any other purposes on that date. The warehouse was classified as noncarrier. The carrier contends that it should be included in the valuation as carrier

property, for the reason that it was not under lease on date of valuation, and that when not under lease it is used and useful to the carrier for the storage of cotton. However, if it was not devoted to any use on valuation date its classification as carrier property would not necessarily follow. The tentative valuation is approved.

The carrier protests that a structure occupied in part by its division engineer at San Antonio for office purposes was erroneously classified as noncarrier. The building referred to was owned by the carrier on date of valuation, and 11 per cent of the space was occupied by its engineer and 89 per cent was leased to an implement company. The classification of the entire building as noncarrier is disapproved, since a portion is devoted to carrier purposes. The valuation will be revised to include 11 per cent of the reproduction cost of the building as carrier owned and used.

Shop machinery.—Shop machinery that was manufactured in the shops of the carriers was priced in the tentative valuations as if reproduced in the same manner that it was produced. Only the actual cost to the carriers for its production was included in the cost of reproduction. The carriers contend that all machinery built in any of their shops should be priced as if purchased from outside concerns. In accordance with *Pennsylvania R. Co.*, 22 Val. Rep. 1, 99, the protest is sustained. Revisions will be made accordingly and proper costs of transportation will be included.

In the tentative valuation, freight on shop machinery purchased from manufacturers was computed at commercial carload rates from the point of manufacture to the nearest point on the Southern Pacific system, usually New Orleans, to which company haul was added to the point of installation on the particular corporate property under valuation. Protest is made that full commercial freight should be allowed from the point of purchase to the logical or practical receiving point on the line of the owner. The carriers rely on our conclusion in *Atchison, Topeka & Santa Fe Ry. Co., supra,* that the complete availability of the system lines during the entire construction period can not be assumed for purposes of computing transportation charges on construction material. We have hereinbefore held that, in accordance with our decision in the Santa Fe case, in determining freight on rails, ties, and other commodities, such of the system lines as under a reasonable construction program would be available for transportation purposes should be utilized and that the company-haul rate should be applied for the haul thereover. Although shop machinery is in a somewhat different category from material used in construction in that it need not be installed until after the completion of the line, nevertheless when such line is placed in common-carrier service and is made use of for transporting construction materials to uncompleted system lines, machinery would be required for operating

and maintenance purposes. In our opinion freight on machinery should be computed at commercial rates from the points of manufacture to the nearest point on the line in question or other available completed system line, and from such point to the point of use at the company-haul rate. Necessary corrections will be made in the tentative valuations.

The carriers also protest that less-than-carload tariff rates should be applied when the total weight of machinery originating at any one point for a particular corporate property is less than the minimum carload requirements and the less-than-carload charge is below the carload charge at minimum weight. They contend also that on large and heavy units of machinery, such as boilers and other large units, the weight of which is less than the minimum carload requirement, the cost of freight should be computed on basis of minimum requirement instead of on the basis of the carload rate per hundred pounds on the shipping weight of the unit as computed in the tentative valuations.

In reproducing carrier property it is our intention to include an amount reasonably necessary for the cost of transportation of machinery and materials. The unit prices as modified above applied to the inventoried items of machinery, composed of the price at the point of purchase, the freight at commercial carload rates to the receiving point, the cost of company haul over the system lines, and the cost of installation are in our opinion adequate for reproduction purposes.

The carriers urge also that a specific allowance for purchasing expense should be made. The testimony on this question was summarized in our discussion of rail. The carriers' data on purchasing expense relate solely to construction materials and contain no basis for a finding with respect to shop machinery. The contention is overruled.

Power-plant machinery.—The protests of the carriers with respect to this account are the same as those for shop machinery in the matters of the cost of transportation and purchasing expense, and the same ruling is made for this account with respect to those subjects.

Equipment.—The issues concerning equipment relate to purchasing expense, the pricing of company-built units, and transportation charges. With respect to purchasing expense the carriers rely on the evidence presented to support a similar contention in connection with rail. The contention is overruled. The carriers' position that items of equipment actually built in their shops should receive the same unit prices as similar types of equipment purchased from manufacturers is in accord with our views previously expresesd in connection with shop machinery and is sustained.

In our estimates for equipment, amounts for transportation have been included based on commercial freight rates from the points of manufacture to certain assumed receiving or setting-up points on the system. Except for the switching locomotives and certain items of work equipment, nothing has been included for distribution from receiving points to points where inventoried. The carriers contend that our estimates are inadequate because of alleged erroneous assumptions with respect to receiving points, the use of which they assert would be physically impossible for reproduction purposes, and because of our failure to include amounts to provide for the cost of distributing the equipment from the receiving points to the divisions where found on valuation date. The latter point is covered by the reservations hereinbefore mentioned and no evidence in support thereof was presented at the hearing.

A witness for the carriers testified that the program assumed in the tentative valuation would require an unreasonable length of time and the assumption that all traffic moves in one direction; and the carriers contend that our program ignores the practice of assigning passenger-train cars to definite divisions and the necessity of assembling locomotives and other equipment at common points. They insist that any reasonable and logical program concerning receiving points would require a consideration of the assignment of the equipment in service on valuation date, irrespective of ownership, the availability of necessary shop facilities for setting up or preparing it for service, and the practicability of moving it from the assumed points to the locations where inventoried. They urge the substitution for our program of distribution of a plan which would locate receiving points so as to insure continuous and uninterrupted movements of traffic from the beginning of operations. The contention that receiving points should be located according to the location of the equipment on valuation date is, in effect, an attempt to have transportation charges include freight to the point of inventory. To this extent it is analogous to the claim for cost of distributing locomotives considered and rejected by us in *Great Northern Ry. Co.*, 133 I. C. C. 1, 107, and to contentions with respect to other items of equipment overruled in *Atchison, Topeka & Santa Fe Ry. Co., supra.* Moreover, sufficient reason has not been shown to warrant changes in the locations tentatively assumed as receiving points for the carriers' equipment. The contention in respect of this matter is overruled.

The carriers further contend that even in the event of our approval of the methods tentatively employed in the computation of transportation charges on equipment, additional sums should be added to our estimates for their freight-train cars. For the transportation of such cars, we include that portion of the commercial freight from builder's works to receiving points as was paid historically by the

carriers. It is the contention of the carriers that on this basis certain costs have been erroneously omitted. They state that under the car-service rules of the American Railway Association no per diem is paid to the owner of new cars in transit from the builder's works under commercial load. It is contended that the amount thus lost should be included as an item of transportation cost actually borne by the carriers. Although an interpretation in 1902 of its per diem rules by the arbitration committee of the association exempted new cars en route from builder to owner, empty or loaded, from per diem, this interpretation was reversed in 1921 with respect to loaded cars. Whatever the actual practices of the carriers may have been in this respect there are no data of record showing the amount of loss historically occasioned by them, the claim as presented being entirely an estimate. The tentative valuations in respect of this item are approved.

It is also contended that we have failed to include an allowance for foreign-line freight on the inventoried units of converted work equipment. As such units have been priced at their appraised value at the time of conversion, on the lines of the carriers, plus the costs of additions and betterments, all necessary freight has been included. The contention is not sustained.

COST OF REPRODUCTION LESS DEPRECIATION

Rail.—The carriers protest that in the tentative valuations an excessive amount has been deducted for depreciation of rail, both new and relay. In estimating the depreciation of rail priced as new, $24.50 per gross ton has been used as the amount of salvage at the end of the first depreciation cycle, which is 50 cents per gross ton less than the price of $25 for relay rail used in the tentative valuation. Since we have hereinabove increased the price of relay rail to $25.50 per gross ton it will also be necessary to increase the salvage value of new rail to $25 per gross ton at the end of the first cycle of depreciation. Increases will be made in the cost of reproduction less depreciation of rail priced as new to the extent that it is affected by the increase in salvage value.

The carriers contend further that the rail classified as relay in their tracks on date of valuation was as good as the rail included in the sales data used by the bureau as the basis of prices in fixing the cost of reproduction new of relay rail, and, therefore, that the cost of reproduction less depreciation of their relay rail should be placed at the same figure as our estimated cost of reproduction new of the same rail. We have estimated that the relay rail in the tracks on date of valuation had a service condition of 78 per cent of its condition as represented by our cost of reproduction new. The carriers contend that this in effect amounts to a duplication of depreciation, inasmuch as we have

started with a price based on the average of the data, which average they urge is representative of their relay rail; and further, that it affects the salvage value of rail inventoried as new, which value we have estimated at $25 per ton. The carriers argue that a salvage value of new rail proportioned to our depreciation of their relay rail, priced on the basis before stated, would be $29.25 per ton and not $25 at the end of its first cycle of use because according to their argument the $25 price represents relay rail in 78 per cent condition instead of 100 per cent as would be its condition at the beginning of the relay cycle. They conclude, therefore, that their relay rail should be considered at the time of inventory as representative of and equal to the relay rail in the price data and therefore in 100 per cent condition, or else as priced too low in cost of reproduction new because we have depreciated it 22 per cent below the relay rail embraced in the data.

As evidence that the rail in the tracks on date of valuation was equal to or in better condition than the rail in the sales data, it was stated that 62 per cent of the rail inventoried as relay is rail weighing 61 to 90 pounds per yard, while only 51 per cent of the rail in the bureau's sales data is of this weight, the remainder being lighter; that carriers do not usually sell the better class of relay rail, but use it to replace older relay rail; also that the sales data contained sales of some secondhand relay rail that had been used in relay service before its sale. It was testified that on the lines of the carriers the highest grade of rail removed from the first cycle of use is retained for use as relay, and that the rail sold is mostly scrap.

A witness for the bureau testified that it had made no attempt to determine what would have been the cost to the carriers of relay rail having the quality and condition of that actually in their tracks on valuation date; that the price in the tentative valuation represents the estimated cost of reproduction per ton of the commodity known as relay rail, which is secondhand rail; that this price borders on the determined value rather than cost; and that the reproduction costs of all of the carriers' relay rail were estimated by the use of the same price per ton regardless of condition or quality at the time of installation. In fact in many instances the date of installation or of conversion to the relay cycle was not ascertainable.

In pricing relay rail, we have been governed entirely by cost data, as we have had no opportunity of inspecting the rail at the time it was put in relay service. However, it is evident that the appropriate time for selling relay rail is at the time of its removal from tracks, and its condition at that time should be representative of its condition at the beginning of the second or relay cycle of use. This condition is reflected in the sales data used to determine the price new of relay rail used in the tentative valuations. But the carriers'

relay rail had been placed at various times and its condition through use was less than when installed. If the evidence established that the rail in the tracks was actually in as good condition as the average represented in the sales data, that fact should be given consideration when estimating cost of reproduction less depreciation. The evidence, however, falls far short of establishing that such was the fact. The tentative valuations are approved in this matter. *Mobile & Ohio R. R. Co.*, 143 I. C. C. 459, 478.

LAND

Classification.—The carriers own numerous parcels of land which were not in actual railroad use on valuation date. In the tentative valuation certain of these were classified as noncarrier, and the others as owned and used in common-carrier service. The bureau recommends that all parcels in question be classified as noncarrier and the carriers contend that those now classified as noncarrier should be reclassified as carrier. The carriers divide the disputed areas into two groups: (1) Those under lease to and used by private individuals and corporations, and (2) those not under lease but not used by the owning carriers.

The lands in group (1) were made the subject of a reservation, and no testimony was introduced either to support the carriers' contentions for reclassification or to oppose the changes recommended by the bureau. There are no facts of record which distinguish the circumstances surrounding the use of these areas from the use, by lessees, of numerous other railroad-owned properties whose noncarrier classifications have been approved in previous cases. The carriers' contention for classification as carrier of lands in this group is overruled.

A common-carrier classification of the areas in group (2) is contended for by the carriers on the ground that these lands were acquired in good faith for railroad purposes and that their acquisition and retention were necessary to insure requisite facilities for future transportation needs. However, there were no definite plans in existence on valuation date for placing these lands, which had been held for long periods of time in common-carrier use, and it can not be said that such use was imminent as of that date. The contention is overruled and the bureau's recommendations for reclassification are approved.

Certain lands owned by the carrier and the Morgan's Louisiana and Texas are classified as used by these carriers. The bureau recommends their reclassification as owned but not used by the carriers as they were leased to and used by the Wells Fargo Express Company, a common carrier. The recommendation is approved.

Lands occupied by industry tracks.—The carriers protest the omission from the tentative valuations of certain lands occupied by tracks

serving industries located along their lines. They claim indefeasible and unrestricted rights to the use of these lands and seek their inclusion as owned and used. However, they did not produce evidence in support of this claim. Their position is that it must be presumed that their use of the lands was in the first instance in compliance with the law, and that acquiescence by the owners in such use over long periods of time is equivalent to a grant. As we know from investigation and experience that in most cases carriers occupy industrial-track rights of way by virtue of agreements which grant only defeasible use, it would be inconsistent to indulge in presumptions that a carrier entered under indefeasible rights of use in cases where no records are available defining its rights. Mere permissive use can not establish an indefeasible right of occupancy; and the evidence of record does not show that the carriers' use has been of an adverse character such as would establish title by prescription. An indefeasible right of use in a carrier must be proved before we will include in its inventory lands occupied by industrial tracks. As the carriers have failed to establish such rights their protest is not sustained.

Batture lands.—The Morgan's Louisiana and Texas Railroad and Steamship Company occupies certain batture lands in Louisiana. Some of these lands have been classified as rights in public domain with no cost or value. Other batture lands occupied have been omitted from the tentative valuation. The lands classified as rights in public domain are public batture lands, the use of one parcel having been granted by the Board of Commissioners of the port of New Orleans, and the use of the other by the city of New Orleans. The carrier does not contend for ownership of these two parcels but only that they should be valued as used but not owned at the value of adjacent and adjoining lands. Other batture lands occupied by the railroad company and omitted from the tentative valuation are held under ordinances from the city of Alexandria, town of Brashear, and Jefferson Parish. In *Central R. Co. of N. J.*, 149 I. C. C., 659, 697, we held that the use of public lands by a carrier should be classified as rights in public domain and we find that that ruling is applicable in this case.

It is contended that certain other batture lands occupied should be valued as owned and used by the Morgan's Louisiana and Texas Railroad and Steamship Company. In *Texas & Pacific Ry. Co., supra*, page 518, batture lands occupied by that carrier under deeds were valued as owned, it being stated that the "decisions of the Supreme Court of the State of Louisiana recognize that riparian owners on navigable streams in Louisiana have a legal ownership in the batture, subject only to a limited easement or servitude in favor of the public for levee purposes." On account of this servitude the lands occupied

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by public levees were excluded from the areas of lands occupied in making the valuation of lands owned.

The tentative valuation will be revised to include as owned the areas of such of these lands as were conveyed to the railroad company by deeds, but from these areas will be excluded the portions which are occupied by public levees. Some of the areas are not used for carrier purposes and will therefore be included as noncarrier. The lands to be included as owned and used by the Morgan's Louisiana and Texas Railroad & Steamship Company consist of 54,989 square feet having a present value of $26,518. The noncarrier lands consist of 120,945 square feet having a present value of $120,945 and 12.19 acres having a value of $15. In addition to the above changes 18,240 square feet included in noncarrier lands in the tentative valuation and having a present value of $3,137 will be deducted for the area occupied by a public levee in zone 40NC., valuation section 2, Louisiana. The tentative valuation will be modified accordingly.

Rights in public domain.—The carrier contends that, under our practice of reporting the costs incurred in connection with the acquisition of rights in public domain as the present value thereof, we should include the sum of $13,814 as the value of its right to the longitudinal occupation of Main Street, El Paso, Tex.

A city ordinance passed in 1883 required the carrier among other things to construct an open drainage ditch as consideration for the right to use certain street areas in Main Street for railroad purposes. In 1912 this ditch was replaced by a concrete storm sewer, and that part of the cost thereof borne by the carrier is the amount which it seeks to have included as the cost of the right. It is not clear from the record that the carrier could have been required to contribute toward the cost of the sewer, and no data have been presented with respect to the cost of the original ditch. Furthermore, in the ordinance above mentioned the city agreed to vacate and abandon certain portions of Main Street occupied by the carrier's tracks, and the areas thus vacated were included in the tentative valuation as lands owned and used by the carrier. It appears therefore that any outlay made by the carrier, as required by the ordinance, was in consideration for the grant of both the right in public domain and the vacated areas. The evidence affords no basis for the separation of the amount claimed as between the value of the land at the time of acquisition and the cost of the right in public domain. The contention is overruled.

Rights in private lands.—The carriers claim that certain easements or rights of way for the construction and maintenance of drainage ditches or pipe lines on or in the lands of private parties, classified in the tentative valuation as rights in private lands, should be classified as lands used but not owned. The grants are described as rights to maintain ditches or lines or rights to construct and maintain pipe lines.

The carriers contend that the instruments covering the parcels are the equivalent of right-of-way deeds and convey to them the same rights or easements as are secured by condemnation proceeding in Texas. However, the instruments purport to convey only the right to construct and maintain carrier ditches, etc., and not title to any lands. Therefore, the areas are found to have been properly classified. *Lexington Terminal R. R. Co.*, 119 I. C. C. 627. The carriers further contend that if its interests are treated as rights, higher values than those now in the tentative valuation should be attributed to them, and submitted an estimate of such values but no support for the estimate except an agreement with the bureau that such values would be proper if the areas were classified as carrier land. The tentative valuation is approved.

FINAL VALUE

The books of the respective carriers record investment in carrier property, including lands, as follows: Galveston, Harrisburg and San Antonio, $75,966,630.45; Iberia and Vermilion, $657,908.84; Houston and Shreveport, $696,271.31; Lake Charles & Northern $931,146.89; Direct Navigation Company, $152,790.41; Texas and New Orleans, $23,155,399.69; Louisiana Western, $9,900,983.61; Houston & Texas Central, $41,099,630.68; Houston East and West Texas, $5,624,335.71; Morgan's Louisiana and Texas, $29,477,865.26; and Southern Pacific Terminal, $2,749,316.48. If certain readjustments be made in the investment in road and equipment account of the respective carriers to accord with our 1914 classification of accounts, and if all other items contained therein be taken at their recorded values, the balances in such accounts would be: Galveston, Harrisburg and San Antonio, $72,839,385.28; Iberia and Vermilion, $692,013.59; Houston and Shreveport, $742,196.44; Texas and New Orleans, $22,650,692.10; Louisiana Western $9,772,310.37; Houston & Texas Central, $40,986,485.68; Houston East and West Texas, $5,626,052.13; Morgan's Louisiana and Texas, $23,487,865.26; and Southern Pacific Terminal, $2,750,409.58. The accounts of the remaining carriers would not be affected by readjustments of that nature.

The original cost of the properties of any of the carriers is not ascertainable.

The cost of reproduction new and the cost of reproduction less depreciation, respectively, of the common-carrier properties of the carriers here under consideration, exclusive of land, we find to be as follows, as of date of valuation.

Road	Cost of reproduction new			Cost of reproduction less depreciation		
	Owned and used	Owned but not used	Used but not owned	Owned and used	Owned but not used	Used but not owned
Galveston, Harrisburg and San Antonio	$51,101,614	$3,165	$5,611,265	$40,167,498	$2,182	$4,880,724
Iberia and Vermilion	313,586			237,288		
Houston and Shreveport	784,286			638,672		
Lake Charles and Northern	802,044			639,097		
Direct Navigation Company	186,287		15,538	121,830		8,701
Texas and New Orleans	18,845,334		1,779,804	14,151,990		1,533,855
Louisiana Western	7,834,205		1,005,732	5,622,339		879,572
Houston & Texas Central	30,393,051		3,011,459	23,652,280		2,460,007
Houston East and West Texas	4,495,274		674,027	3,520,573		528,602
Morgan's Louisiana and Texas	24,122,253	201,222	971,009	18,275,120	131,858	797,126
Southern Pacific Terminal	1,127,024	919		776,519	781	

The value of lands owned or used by the respective carriers for common-carrier purposes, as of date of valuation, we find to be:

Road	Owned and used	Owned but not used	Used but not owned
Galveston, Harrisburg and San Antonio	$7,807,629	$3,355	$605,635
Iberia and Vermilion	47,418		385
Houston and Shreveport	142,335		
Lake Charles & Northern	59,468		
Direct Navigation Company			35,530
Texas and New Orleans	3,867,312	5,530	11,620
Louisiana Western	862,113		
Houston & Texas Central	8,016,748	123,506	24,490
Houston East and West Texas	768,013	80	2,262
Morgan's Louisiana and Texas	2,769,057	1,375	59,856
Southern Pacific Terminal	2,239,380		

The estimates of cost of reproduction covered by this report are based upon the 1914 level of prices, while the present value of the common-carrier lands covered by the report are based upon the fair average of the normal market values of lands adjoining and adjacent to the rights of way, yards, and terminals of these carriers as of valuation date. This discrepancy will be removed when we adjust to later dates, in accordance with the requirements of the valuation act, the final values herein reported.

We have given careful consideration to all facts of record bearing on the value of these roads as organized, developed, well-maintained, and seasoned properties in operation as going concerns. We find the value for rate-making purposes of the properties used in common-carrier service of each of the carriers hereinafter named as of date of valuation, to be as follows:

Road	Owned and used	Owned but not used	Used but not owned
Galveston, Harrisburg and San Antonio	$52,970,000	$13,567	$6,379,345
Iberia and Vermilion	300,000		13,385
Houston and Shreveport	815,000		55,000
Lake Charles and Northern	755,000		1,000
Direct Navigation Company	138,500		45,530
Texas and New Orleans	20,510,000	1,147,530	1,706,620
Louisiana Western	6,910,000		1,245,000
Houston & Texas Central	33,530,000	123,506	2,867,990
Houston East and West Texas	4,750,000	54,080	608,262
Morgan's Louisiana and Texas	22,610,000	627,775	1,004,356
Southern Pacific Terminal	3,022,112	800	27,963

The foregoing values of property include working capital, as follows:

Road	Owned and used	Owned but not used	Used but not owned
Galveston, Harrisburg and San Antonio	$3,270,000	$7,963	$700,000
Iberia and Vermilion			13,000
Houston and Shreveport	20,000		55,000
Lake Charles and Northern	35,000		1,000
Direct Navigation Company	10,000		1,000
Texas and New Orleans	1,810,000	1,142,000	85,000
Louisiana Western	150,000		320,000
Houston & Texas Central	1,430,000		325,000
Houston East and West Texas	300,000	54,000	56,000
Morgan's Louisiana and Texas	960,000	490,000	110,000
Southern Pacific Terminal	2,112		27,963

An order will be entered in accordance with our findings.

ORDER

At a Session of the INTERSTATE COMMERCE COMMISSION, Division 1, held at its office in Washington, D. C., on the 6th day of November, A. D. 1931

Valuation Docket No. 863

The Galveston, Harrisburg and San Antonio Railway Company

Valuation Docket No. 701

Iberia and Vermilion Railroad Company

Valuation Docket No. 728

Houston and Shreveport Railroad Company

Valuation Docket No. 737

Lake Charles & Northern Railroad Company

Valuation Docket No. 750

The Direct Navigation Company

Valuation Docket No. 756

Texas and New Orleans Railroad Company

Valuation Docket No. 784

Louisiana Western Railroad Company

Valuation Docket No. 804

Houston & Texas Central Railroad Company

Valuation Docket No. 842

The Houston East and West Texas Railroad Company

Valuation Docket No. 883

Morgan's Louisiana and Texas Railroad and Steamship Company

Valuation Docket No. 923

Southern Pacific Terminal Company

This case having been duly heard and submitted by the parties and full investigation of the matters and things involved having been had, and said division having, on the date hereof, made and filed a report containing its conclusions thereon, which report is hereby referred to and made a part hereof:

It is ordered, That the following be, and they are hereby declared to be, the final valuations of the properties of The Galveston, Harrisburg and San Antonio Railway Company, Iberia and Vermilion Railroad Company, Houston and Shreveport Railroad Company, The Direct Navigation Company, Texas and New Orleans Railroad Company, Louisiana Western Railroad Company, Houston & Texas Central Railroad Company, The Houston East and West Texas Railway Company, Morgan's Louisiana and Texas Railroad and Steamship Company, and Southern Pacific Terminal Company, as of June 30, 1918:

IN GENERAL

Reference is made to Appendix 3, *Texas Midland Railroad*, 75 I. C. C. 1, 108, which is hereby made a part of each section of the order herein, for a statement of methods employed and of reasons for differences between the various cost values reported. Reference is made, in like manner, to Appendix 3, *Northampton & B. R. Co.*, 149 I. C. C. 244, 263, for a statement of the methods employed in determining working capital. In the case of the Southern Pacific Terminal Company further reference is made to *Artesian Belt R. R.*, 84 I. C. C. 481, 485.

Attached to each section and made a part thereof are Appendixes 1 and 2. Appendix 1 gives further description of property, allocation of mileage by States, and summaries showing classification of the cost of reproduction new and cost of reproduction less depreciation in conformity with the classification of expenditures for road and equipment prescribed by us. Appendix 2 shows in detail the history and reorganization of present and predecessor corporations; increases or decreases of stocks, bonds, and other securities incident to reorganizations; moneys received by reason of issues of stocks, bonds, and other securities, together with the syndicating, banking, and other financial arrangements attending their issue; net and gross earnings; development of fixed physical property; investment in road and equipment; original cost to date; general balance sheet statements; and other pertinent information.

The accounting, engineering, and land reports relating to the properties of the carriers embraced in this proceeding, copies of which have been furnished interested parties and the State officials of the States in which the carriers are situated, give details respecting the figures here reported and are on file in the Bureau of Valuation of the commission, open to public inspection, and subject to the direction of Congress. These reports are referred to for greater particularity as to the matters stated in the following sections.

SECTION 1

Valuation Docket No. 863

The Galveston, Harrisburg and San Antonio Railway Company

Location and general description of property.—The railroad of The Galveston, Harrisburg and San Antonio Railway Company, herein called the Galveston, Harrisburg and San Antonio, is a standard-gage, steam railroad, located in southwestern Texas. The railroad is single track with the exception of 26.604 miles of second main track near San Antonio and El Paso. This road is a part of the Atlantic system of the Southern Pacific Company and forms an important link in its through route from San Francisco, Calif., to New Orleans, La.

The owned railroad consists of two main lines and various branches, together with terminal property in Houston, San Antonio, El Paso, and Galveston. The principal main line extends in a northwesterly direction from Houston through San Antonio to El Paso, the other extending southerly from Houston to Galveston. The branches extend from Harrisburg to Stella Junction, Glidden to La Grange, Harwood to Gonzales, Rosenberg to Beeville, Wharton Junction to Palacios, Van Vleck to Hawkinsville, Gulf Junction to Port Lavaca,

Spofford to Eagle Pass, and Strange to Seabrook. The wholly owned and used road aggregates 1,354.140 miles. The Galveston, Harrisburg and San Antonio also jointly owns and uses with other carriers 2.539 undivided miles of road and uses under lease terminal property in El Paso and Galveston owned by other companies. The principal cities served by this road are Del Rio, Eagle Pass, El Paso, Galveston, Houston, San Antonio, and Victoria.

The Galveston, Harrisburg and San Antonio wholly owns and uses 1,776.201 miles of all tracks, jointly owns and uses an undivided interest in 9.511 miles of all tracks, and wholly uses but does not own 14.070 miles of all tracks. These tracks, consisting of first and second main tracks and yard tracks and sidings, are classified in the trackage table in Appendix 1. In addition, the company uses under trackage rights 37.48 miles of the road of other carriers, principally at Houston, the details of which are given in the chapter on leased railway property in Appendix 2.

Capital stock and long-term debt.—The Galveston, Harrisburg and San Antonio had outstanding, on date of valuation, a total par value of $76,861,783.94 in stock and long-term debt, of which $27,084,400 represented common stock, $32,265,000 funded debt, and $17,512,383.94 nonnegotiable debt to affiliated companies.

Results of corporate operations.—For the period from January 26, 1870, to December 31, 1917, the aggregate railway operating expenses were 73.4 per cent of the railway operating revenues. The Galveston, Harrisburg and San Antonio has paid no dividends since 1881.

Original cost to date.—The original cost to date of all common-carrier property of the Galveston, Harrisburg and San Antonio can not be ascertained, as the necessary records are not obtainable. Such information respecting actual expenditures as can be ascertained is stated in Appendix 2.

Investment in road and equipment.—The investment of the Galveston, Harrisburg and San Antonio in road and equipment, including land, on date of valuation, is stated in its books as $75,966,630.45. With readjustments required by our accounting examination, this amount would be reduced to $72,839,385.28, of which $52,089,528.84, less an undetermined portion thereof assignable to offsetting items included in amounts recorded at $4,176,852.39, represents considerations other than money, the cash value of which at the time of the transaction we are not able to report, because it has been impossible to obtain the necessary information. Further information will be found in Appendix 2.

Cost of reproduction new and cost of reproduction less depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land and material and supplies, owned or used by the Galveston, Harrisburg and San

Antonio, including owned portions of joint minor facilities, are as shown below.

Classification	Cost of reproduction new	Cost of reproduction less depreciation
Wholly owned and used	$51,046,628	$40,124,207
Jointly owned and used with other carriers, Galveston, Harrisburg, and San Antonio's portion [1]	54,986	43,291
Total owned and used	51,101,614	40,167,498
Owned but not used, leased to—		
American Railway Express Company	1,475	978
The Texas and Pacific Railway Company	1,690	1,204
Total owned but not used	3,165	2,182
Used but not owned, leased from—		
Galveston Terminal Railway Company [2]	227,782	163,946
El Paso Union Passenger Depot Company	2,986	2,698
Southern Pacific Company	5,379,578	4,713,299
Southern Pacific Terminal Company	919	781
Total	5,611,265	4,880,724
Total owned	51,104,779	40,169,680
Total used	56,712,879	45,048,222

[1] For details see summaries by accounts in Appendix 1.
[2] Includes this company's portion of reproduction costs of joint tracks at Galveston.

These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are shown in summary sheets in Appendix 1. Information as to the character of the property used but not owned will be found in Appendix 2, under leased railway property.

Cost of lands, rights of way, and terminals at time of dedication to public use, and their present value.—The Galveston, Harrisburg and San Antonio owns and uses for common-carrier purposes 26,460.55 acres of lands. It owns but does not use 0.38 acre which is leased to other carriers for common-carrier purposes. The total original cost of lands owned and used by the Galveston, Harrisburg and San Antonio for carrier purposes can not be ascertained, as the necessary records are not obtainable, but data that are obtainable on their original cost will be found in Appendix 2.

The area and present value of the carrier lands owned or used are shown below. The Galveston, Harrisburg and San Antonio's portions of jointly owned lands are included with the wholly owned lands.

Classification	Acres	Present value
Wholly owned and used	26,460.55	$7,807,629
Owned but not used, leased to—		
Wells Fargo Express Company	0.13	3,354
The Texas and Pacific Railway Company	0.25	1
Total	0.38	3,355
Used but not owned, leased from—		
Galveston Terminal Railway Company	125.90	597,390
Private parties	26.95	8,245
Total	152.85	605,635
Total owned	26,460.93	7,810,984
Total used	26,613.40	8,413,264

Rights in public domain.—The Galveston, Harrisburg and San Antonio owns rights in public domain used for common-carrier purposes, the original cost of which, as supported by accounting records, is $160. Their present value is the same amount.

Rights in private lands.—The Galveston, Harrisburg and San Antonio owns rights in private lands used for common-carrier purposes, the original cost of which, as supported by accounting records, is $300. Their present value is found to be $315.

Property held for purposes other than those of a common carrier.—The Galveston, Harrisburg and San Antonio owns and holds for noncarrier purposes 287.33 acres of lands. The total original cost of lands classified as noncarrier can not be ascertained, as the necessary records are not obtainable, but data that are obtainable on their original cost will be found in Appendix 2.

The present value of the 287.33 acres of noncarrier lands, and improvements thereon, owned by the Galveston, Harrisburg and San Antonio, is $517,356. The present value of noncarrier structures on carrier lands is $2,457.

The investment of the Galveston, Harrisburg and San Antonio in miscellaneous physical property, on date of valuation, is stated in its books as $270,107.77, consisting principally of noncarrier lands at various points and hospital buildings at Houston, as detailed in Appendix 2.

The Galveston, Harrisburg and San Antonio owns securities of other companies held for noncarrier purposes. The par value of these securities is $210,025.67, and their book value, stated by the Galveston, Harrisburg and San Antonio as its net investment in other companies, is the same amount. These securities, with their par and book values on date of valuation, are listed in Appendix 2.

Aids, gifts, grants of rights of way, and donations.—Of the lands owned by the Galveston, Harrisburg and San Antonio and included in the preceding summaries of lands owned, the following were acquired through aids:

Classification	Acres	Present value
Carrier lands, owned and used	13,136.90	$1,289,909
Noncarrier lands, owned	21.78	79,745

Certain of these lands were reported, as shown below, as donated. Title to the other lands included above was acquired through deeds reciting merely nominal or no consideration. We are unable to report the value of these lands at the time acquired.

The Galveston, Harrisburg and San Antonio reports the following aids, gifts, grants, and donations as having been received by itself or its predecessors.

Description	Expense of acquisition	Amount of donation
Land-grant lands, 2,450,570 acres granted to the Galveston, Harrisburg and San Antonio and its predecessors under legislative acts of the State of Texas	$471,819.92	
Other lands, various parcels donated to the Galveston, Harrisburg and San Antonio and its predecessors by the State of Texas, various individuals, and corporations	29.95	
Cash donated by various individuals, recipient:		
The New York, Texas and Mexican Railway Company		$39,090.00
Galveston, Harrisburg and San Antonio		1,454.80
Total		40,544.80
Construction, material donated by individuals, corporations, and municipalities to the Galveston, Harrisburg and San Antonio		2,473.75

Neither the cost to the donors of lands donated or granted nor their values at the time of acquisition was reported by the Galveston, Harrisburg and San Antonio.

The Galveston, Harrisburg and San Antonio reports that a portion of the lands granted to it and its predecessors by governmental bodies was disposed of for net receipts of $283,915.91.

We are unable to report the amount or value of any concession or allowance in consideration of any grants by governmental bodies.

In addition to the lands heretofore shown as donated, the Galveston, Harrisburg and San Antonio reports that the Buffalo Bayou, Brazos and Colorado Railway Company (of 1870) received as a donation from William Alley an undivided one-half interest in 200 acres of lands, less certain tracts named, comprising the town of Alleyton, for which no records are obtainable as to the transaction.

The records of the Galveston, Harrisburg and San Antonio show the following aids, gifts, grants, or donations in addition to those reported.

Recipient	Donor	Description	Amount
Galveston, Harrisburg and San Antonio.	Individuals	Cash	$17,409.01
Do	Individuals and companies.	Construction of industrial spurs.	13,304.72
Do	Counties and individuals.	Construction of drainage ditches.	1,238.23
Do	Individuals, companies, and counties.	Construction bonus	2,309.35
Do	United States Government.	Construction subway—Eureka.	978.51
Do	Bexar County	County bonds	300,000.00
Gulf, Western Texas and Pacific Railway Company (1878).	Indianola City and Land Company.	Capital stock of that company.	19,100.00
San Antonio and Gulf Railroad	Individuals	Cash	9,791.62
Total			364,131.44

Material and supplies.—The investment of the Galveston, Harrisburg and San Antonio in material and supplies, on date of valuation, is stated in its books as $10.

The investment in material and supplies, on date of valuation, as shown in the books of the United States Railroad Administration, covering the operation of the property of the Galveston, Harrisburg and San Antonio, amounts to $2,760,313.64.

Final value.—After careful consideration of all facts herein contained, including appreciation, depreciation, going-concern value, working capital, and all other matters which appear to have a bearing upon the values here reported, the values, for rate-making purposes, of the property of the Galveston, Harrisburg and San Antonio, owned or used, devoted to common-carrier purposes, are found to be as follows:

	Final value
Wholly owned and used	$52,970,000
Wholly owned but not used, leased to—	
The Texas and Pacific Railway Company	1,250
American Railway Express Company	1,000
Wells Fargo Express Company	3,354
Southern Pacific Terminal Company	7,963
Total	13,567
Wholly used but not owned, leased from—	
Galveston Terminal Railway Company	767,500
Southern Pacific Company	4,900,000
El Paso Union Passenger Depot Company	2,800
Southern Pacific Terminal Company	800
Texas and New Orleans Railroad Company	620,000

	Final value
Wholly used but not owned, leased from—Continued.	
Morgan's Louisiana and Texas Railroad and Steamship Company	$80,000
Private parties	8,245
Total	6,379,345
Total owned	52,983,567
Total used	59,349,345

There are included in the above statement the following amounts for working capital:

	Cash	Material and supplies	Total
Owned and used	$940,000	$2,330,000	$3,270,000
Owned but not used, used by Southern Pacific Terminal Company	7,963		7,963
Used but not owned, owned by—			
Texas and New Orleans Railroad Company		620,000	620,000
Morgan's Louisiana and Texas Railroad and Steamship Company		80,000	80,000

No other values or elements of value to which specific sums can now be ascribed are found to exist.

APPENDIX 1

GALVESTON, HARRISBURG AND SAN ANTONIO

TRACK MILEAGE

The track mileage of the Galveston, Harrisburg and San Antonio is shown in the following table:

Classification	First main track	Second main track	Yard tracks and sidings	All tracks
	Miles	*Miles*	*Miles*	*Miles*
Wholly owned and used	1,354.140	26.604	395.457	1,776.201
Wholly used but not owned, leased from the Galveston Terminal Railway Company			14.070	14.070
Total wholly owned	1,354.140	26.604	395.457	1,776.201
Total wholly used	1,354.140	26.604	409.527	1,790.271
Jointly owned and used with other carriers, undivided [1]	2.539	1.469	5.503	9.511
Company's portion, based on ownership	0.846	0.490	2.519	3.855

[1] Details for the portion of this joint mileage classified as major facilities are shown in separate summaries in this appendix.

The Galveston, Harrisburg and San Antonio leases from the Galveston Terminal Railway Company the latter's one-third portion of 0.757 undivided mile of yard tracks and sidings at Galveston which that company jointly owns with the Galveston, Harrisburg and San Antonio and the Galveston Wharf Company. The reproduction costs of the portion owned by each company are shown on two separate summaries in this appendix under the headings Jointly Owned and Used and Wholly Used but not Owned but the mileage is credited only once in the above trackage table.

TERMINALS

The principal freight and passenger terminals used by the Galveston, Harrisburg and San Antonio are as follows:

Location	Basis of use		Remarks [1]
	Freight terminal	Passenger terminal	
In Texas			
Beeville	Ownership	Ownership	
Eagle Pass	Ownership	Ownership	
El Paso	Ownership	Rental	Passenger terminal owned by the El Paso Union Passenger Depot Company. The Galveston, Harrisburg and San Antonio owns an additional passenger station which it uses.
Galveston	Ownership	Rental	Passenger terminal owned by the Union Passenger Depot Company of Galveston.
Gonzales	Ownership	Ownership	
Hawkinsville	Ownership	Ownership	
Houston	Rental	Rental	Passenger terminal owned by the Houston & Texas Central Railroad Company. Freight terminal owned by the Texas & New Orleans Railroad Company.
LaGrange	Ownership	Ownership	
Palacios	Ownership	Ownership	
Port Lavaca	Ownership	Ownership	

[1] The terms under which the properties not owned are used are shown in Appendix 2, under leased railway property.

TRAFFIC CONNECTIONS

The Galveston, Harrisburg and San Antonio has connections with other carriers for interchange of traffic, as follows:

Carriers	Connecting points
	In Texas
All railroads entering city	Houston.
Artesian Belt Railroad	Macdona.
The El Paso and Southwestern Railroad Company of Texas.	El Paso.
The El Paso and Northeastern Railroad Company	El Paso.
Galveston and Western Railway Company	Galveston.
Galveston, Houston & Henderson Railroad Company	Galveston, Texas City, and Virginia Point.
Galveston Terminal Railway Company	Galveston.
Gulf, Colorado and Santa Fe Railway Company	Bay City, Eagle Lake, Galveston, Rosenberg, Virginia Point and Wharton.
International & Great Northern Railway Company	Galveston, Texas City, San Antonio and Virginia Point.
The Kansas City, Mexico & Orient Railway Company of Texas.	Alpine.
Mexican International Railway	Eagle Pass.
Mexico North Western Railway Company	El Paso.
The Missouri, Kansas & Texas Railway Company of Texas.	Galveston, LaGrange, San Antonio, Texas City, and Virginia Point.
National Railways of Mexico	El Paso.
Rio Grande, El Paso and Santa Fe Railroad Company	El Paso.
The San Antonio and Aransas Pass Railway Company	Beeville, Cuero, Eagle Lake, Flatonia, Leeling, San Antonio, and Gonzales.
San Antonio Belt and Terminal Railway Company	San Antonio.
San Antonio, Uvalde & Gulf Railroad Company	San Antonio and Uvalde.
The St. Louis, Brownsville & Mexico Railway Company	Bay City, Blessing, Placedo, and Virginia Point.
Southern Pacific Railroad Company	El Paso.
Southern Pacific Terminal Company	Galveston.
Sugarland Railroad Company	Sugarland.
The Texas and Pacific Railway Company	Sierra Blanca.
Texas City Terminal Company	Texas City.

PHYSICAL CONDITIONS AFFECTING CONSTRUCTION

Topography.—The country traversed varies from the high tablelands of western Texas to the gently rolling coastal prairies lying east and southeast of San Antonio.

Geology.—Malpais and limestone rock are encountered in the surface cuts between El Paso and Del Rio. Between Del Rio and San Antonio the soil is sandy, changing to a rich loam in the coastal region between San Antonio and Galveston.

Climate.—The climate is mild with temperature seldom below the freezing point. The rainfall varies from about 10 inches per annum at the western end to over 50 inches per annum at Houston and Galveston.

ECONOMIC CONDITIONS RELATING TO TRAFFIC

Farm development.—Dry farming is carried on to a certain extent in the territory between Uvalde and San Antonio. East of the latter point the country becomes more productive and excellent crops of corn, rice, and cotton are raised. The raising of cattle and sheep is an important industry over the entire territory.

Industrial development.—Galveston, El Paso, and Houston are the principal industrial centers on the line of the Galveston, Harrisburg and San Antonio. Galveston ranks as one of the most important seaports in the United States and large shipments of cotton, grain, and other products of the West and Southwest are made from there to domestic and foreign ports. The Southern Pacific Company owns and operates a line of steamers from this port to New York City through which the export business of the Galveston, Harrisburg and San Antonio is handled.

El Paso is the principal gateway into Mexico and furnishes a considerable tonnage from the mining and agricultural resources of that country.

The manufacturing industries at Houston are varied and quite extensive, those related to the cotton and oil industries being among the most prominent.

PHYSICAL CHARACTERISTICS OF ROAD

Grades.—The maximum grade between Columbus and San Antonio is 1.70 per cent; between San Antonio and Del Rio 1.40 per cent; between Houston and Galveston 0.51 per cent; between Rosenberg and Beeville 1.57 per cent; between Del Rio and El Paso 1.44 per cent. On the branch lines the maximum grade is 1.55 per cent.

Curvatures.—The maximum curvature between Houston and Columbus is 3°; between Houston and San Antonio 3°; beweeen San Antonio and Del Rio 4°; between Houston and Galveston 4° 54′; between Del Rio and El Paso 10°. The maximum curvature on the branch lines is 10°.

Grading.—The grading near El Paso is light work and is sandy loam. As the line leaves the valley the country becomes more broken and classified material is encountered consisting of malpais, hard limestone, and sandstone. On the east side of the divide the limestone and sandstone are of a softer variety and as the line descends toward the coast the country is less broken, the rock disappears, and the formation changes to a stiff clay. Along the coastal plain the land is level and is mostly of sandy loam.

Bridges.—The important streams are crossed with modern steel structures, several of which rest on brick piers. The most important structure is the Pecos River crossing, which is a steel viaduct 1,516 feet in length and 321 feet from the river surface to deck of bridge. The smaller streams and some of the approaches to the larger streams are crossed by pile and frame trestles constructed of cypress timber or creosoted pine and generally with ballasted decks.

Ties.—The ties are of oak, gum, cypress, and treated and untreated pine. Zinc-treated pine ties predominate.

Rail.—The rails in the main line are both Open Hearth and Bessemer and vary from 75 to 90 pounds per yard. Branch lines vary from 50 to 75 pounds. Sidetracks are mostly relay rail from 50 to 90 pounds.

Ballast.—The ballast consists chiefly of gravel ballast from various pits hauled in some cases for long distances. Decomposed granite, oyster shells, sand, cinders, crushed rock, mine waste, and slag are also used.

Signals and interlockers.—The Galveston, Harrisburg and San Antonio has 22 interlocking plants on its lines; 16 are mechanically, 3 electro-pneumatically, and 3 electrically operated, and 4 gates at railroad crossings that are not interlocked. Of the total track mileage 286.089 miles are equipped with block signals. There are 82 train-order signals and 14 station and switch signals used.

EQUIPMENT

The Galveston, Harrisburg and San Antonio owns and uses the following equipment:

Steam locomotives	220
Freight-train cars	3,625
Passenger-train cars	114
Work equipment	337
Miscellaneous equipment	1
Total	4,297

In addition to the owned and used equipment, the Galveston, Harrisburg and San Antonio uses the following equipment owned by the Southern Pacific Company:

Steam locomotives	94
Extra tenders	25
Freight-train cars	1,474
Passenger-train cars	102
Work equipment	1
Total	1,696

The terms of use of this leased equipment are shown in Appendix 2 underleased railway property.

ENGINEERING AND GENERAL EXPENDITURES

Engineering has been estimated at 4.5 per cent on road accounts 3 to 47, inclusive, for that portion of the road between San Antonio and El Paso, and at 4 per cent for the remainder of the property. General expenditures, exclusive of interest, have been estimated on the basis of 1.5 per cent on road accounts 1 to 47, exclusive of account 2. Interest during construction has been estimated for one-half the construction period, plus 3 months, at the rate of 6 per cent per annum on all road and general-expenditures accounts, excepting accounts 2 and 76. Interest on equipment has been estimated for 3 months at 6 per cent per annum. The construction periods for the different sections vary from 12 to 36 months.

SUMMARIES

Wholly owned and used, including company's portion of jointly owned minor facilities

Account	Classification	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$1,613,513	$1,613,513
3	Grading	5,276,000	5,234,742
6	Bridges, trestles, and culverts	7,111,098	6,040,738
8	Ties	4,355,761	2,395,667
9	Rails	6,984,022	6,132,556
10	Other track material	2,503,431	1,922,436
11	Ballast	2,018,157	1,618,013
12	Tracklaying and surfacing	2,969,292	2,252,511
13	Right-of-way fences	698,778	378,275
15	Crossings and signs	497,244	420,047
16	Station and office buildings	1,535,815	1,182,609
17	Roadway buildings	535,995	392,431
18	Water stations	733,234	617,449
19	Fuel stations	357,364	331,199
20	Shops and engine houses	705,726	564,729
26	Telegraph and telephone lines	129,955	115,193
27	Signals and interlockers	459,347	394,139
29	Power-plant buildings	15,885	12,484
32	Power-distribution systems	9,236	6,100
33	Power-line poles and fixtures	1,537	855
35	Miscellaneous structures	246,002	203,766
36	Paving	9,588	7,609
37	Roadway machines	23,291	15,396
38	Roadway small tools	36,736	18,366
44	Shop machinery	427,163	255,635
45	Power-plant machinery	56,235	38,107
	Total 1, and 3 to 47, inclusive	39,310,405	32,164,565
	II. EQUIPMENT		
51	Steam locomotives	3,191,689	1,641,133
53	Freight-train cars	3,528,007	2,555,728
54	Passenger-train cars	829,966	425,376
57	Work equipment	260,988	142,607
58	Miscellaneous equipment	80	30
	Total, 51 to 58, inclusive	7,810,730	4,764,874
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	589,656	483,591
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	3,335,837	2,711,177
	Total, 71 to 77, inclusive	3,925,493	3,194,768
	Grand total, 1, and 3 to 77, inclusive	51,046,628	40,124,207

Jointly owned and used with the Gulf, Colorado and Santa Fe Railway Company and the Galveston, Houston & Henderson Railroad Company, one-third each; 1.064 miles of first main track, at Galveston. Galveston, Harrisburg and San Antonio's portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$140	$140
8	Ties	897	673
9	Rails	1,279	1,189
10	Other track material	520	472
12	Tracklaying and surfacing	792	689
	Total, 1, and 3 to 47, inclusive	3,628	3,163
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	54	47
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	276	240
	Total, 71 to 77, inclusive	330	287
	Grand total, 1, and 3 to 77, inclusive	3,958	3,450

Jointly owned and used with the Gulf, Colorado and Santa Fe Railway Company and the Galveston, Houston & Henderson Railroad Company, one-third each; 0.394 mile of first main track, 0.351 mile of second main track, and 0.168 mile of yard tracks and sidings, at Galveston. Galveston, Harrisburg and San Antonio's portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$664	$664
8	Ties	1,306	852
9	Rails	1,194	1,068
10	Other track material	2,641	1,518
11	Ballast	499	349
12	Tracklaying and surfacing	717	480
27	Signals and interlockers	10,239	9,216
	Total, 1, and 3 to 47, inclusive	17,260	14,147
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	259	212
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	1,314	1,077
	Total, 71 to 77, inclusive	1,573	1,289
	Grand total, 1, and 3 to 77, inclusive	18,833	15,436

Jointly owned and used with the Gulf, Colorado and Santa Fe Railway Company and the Galveston, Houston & Henderson Railroad Company, one-third each; 1.081 miles of first main track, 1.118 miles of second main track, and 0.051 mile of yard tracks and sidings, at Galveston. Galveston, Harrisburg and San Antonio's portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$419	$419
8	Ties	1,603	885
9	Rails	3,508	3,115
10	Other track material	1,749	1,226
11	Ballast	2,022	1,587
12	Tracklaying and surfacing	1,574	1,212
13	Right-of-way fences	11	8
15	Crossings and signs	3	2
	Total, 1, and 3 to 47, inclusive	10,889	8,454
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	163	127
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	829	647
	Total, 71 to 77, inclusive	992	774
	Grand total, 1, and 3 to 77, inclusive	11,881	9,228

Jointly owned and used with the Galveston Wharf Company, one-half each; 2.748 miles of yard tracks and sidings, at Galveston. Galveston, Harrisburg, and San Antonio's portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$343	$343
3	Grading	490	490
8	Ties	2,965	1,489
9	Rails	3,474	3,268
10	Other track material	1,243	839
11	Ballast	1,110	877
12	Tracklaying and surfacing	2,135	1,580
15	Crossings and signs	4	4
	Total, 1, and 3 to 47, inclusive	11,764	8,890
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	176	133
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	896	677
	Total, 71 to 77, inclusive	1,072	810
	Grand total, 1, and 3 to 77, inclusive	12,836	9,700

Jointly owned and used with the Galveston Wharf Company and the Galveston Terminal Railway Company, one-third each; 0.757 mile of yard tracks and sidings at Galveston. Galveston, Harrisburg and San Antonio's portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$93	$93
3	Grading	64	64
8	Ties	609	310
9	Rails	984	897
10	Other track material	432	261
11	Ballast	444	355
12	Tracklaying and surfacing	561	415
	Total, 1, and 3 to 47, inclusive	3,187	2,395
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	48	36
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	243	182
	Total, 71 to 77, inclusive	291	218
	Grand total, 1, and 3 to 77, inclusive	3,478	2,613

Jointly owned and used with The St. Louis, Brownsville & Mexico Railway Company, one-half each; 0.537 mile of yard tracks and sidings at Victoria. Galveston, Harrisburg and San Antonio's portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$84	$84
8	Ties	644	322
9	Rails	676	612
10	Other track material	315	262
12	Tracklaying and surfacing	336	245
	Total, 1, and 3 to 47, inclusive	2,055	1,525
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	31	23
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	125	93
	Total, 71 to 77, inclusive	156	116
	Grand total, 1, and 3 to 77, inclusive	2,211	1,641

Jointly owned and used with The San Antonio and Aransas Pass Railway Company, one-half each; 0.522 mile of yard tracks and sidings, at Cuero. Galveston, Harrisburg and San Antonio's portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$66	$66
3	Grading	133	133
8	Ties	496	243
9	Rails	521	419
10	Other track material	246	150
12	Tracklaying and surfacing	266	170
	Total, 1, and 3 to 47, inclusive	1,728	1,181
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	26	18
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	35	24
	Total, 71 to 77, inclusive	61	42
	Grand total, 1, and 3 to 77, inclusive	1,789	1,223

Owned but not used, leased to American Railway Express Company

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$55	$55
16	Station and office buildings	1,370	890
	Total, 1, and 3 to 47, inclusive	1,425	945
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	21	14
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	29	19
	Total, 71 to 77, inclusive	50	33
	Grand total, 1, and 3 to 77, inclusive	1,475	978

Owned but not used, leased to The Texas and Pacific Railway Company

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$70	$70
19	Fuel stations	1,563	1,094
	Total, 1, and 3 to 47, inclusive	1,633	1,164
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	24	17
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	33	23
	Total, 71 to 77, inclusive	57	40
	Grand total, 1, and 3 to 77, inclusive	1,690	1,204

Used but not owned, leased from the Galveston Terminal Railway Company

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$8,227	$8,227
3	Grading	8,981	8,981
6	Bridges, trestles, and culverts	856	554
8	Ties	26,371	14,479
9	Rails	43,818	38,114
10	Other track material	15,548	9,484
11	Ballast	20,059	12,162
12	Tracklaying and surfacing	24,600	17,242
15	Crossings and signs	5,044	4,289
16	Station and office buildings	36,357	20,276
17	Roadway buildings	88	44
18	Water stations	13,750	11,643
20	Shops and engine houses	10,961	8,995
	Total, 1, and 3 to 47, inclusive	214,660	154,490
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	3,220	2,320
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	9,902	7,136
	Total, 71 to 77, inclusive	13,122	9,456
	Grand total, 1, and 3 to 77, inclusive	227,782	163,946

Used but not owned, leased from the El Paso Union Passenger Depot Company

Account	Classes	Cost of reproduction, new	Cost of reproduction, less depreciation
	I. ROAD		
1	Engineering	$108	$108
20	Shops and engine houses	2,707	2,436
	Total, 1, and 3 to 47, inclusive	2,815	2,544
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	42	38
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	129	116
	Total, 71 to 77, inclusive	171	154
	Grand total, 1, and 3 to 77, inclusive	2,986	2,698

Used but not owned, leased from the Southern Pacific Terminal Company

Account	Classes	Cost of reproduction, new	Cost of reproduction, less depreciation
	I. ROAD		
1	Engineering	$33	$33
44	Shop machinery	833	703
	Total, 1, and 3 to 47, inclusive	866	736
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	13	11
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	40	34
	Total, 71 to 77, inclusive	53	45
	Grand total, 1, and 3 to 77, inclusive	919	781

Used but not owned, leased from the Southern Pacific Company

Account	Classes	Cost of reproduction, new	Cost of reproduction, less depreciation
	II. EQUIPMENT		
51	Steam locomotives	$2,422,869	$2,100,595
53	Freight-train cars	1,734,665	1,500,884
54	Passenger-train cars	1,127,254	1,027,292
57	Work equipment	15,289	14,567
	Total, 51 to 58, inclusive	5,300,077	4,643,338
	III. GENERAL EXPENDITURES		
76	Interest during construction	79,501	69,961
	Grand total, 1, and 3 to 77, inclusive	5,379,578	4,713,299

APPENDIX 2

Galveston, Harrisburg and San Antonio

INTRODUCTORY

No accounting records are available for the period from January 26, 1870, to January 1, 1873, and for that reason complete information in connection with the finances, investments, or original cost can not be determined from the accounts. The Galveston, Harrisburg and San Antonio is a corporation of the State of Texas, having its principal office at Houston, Tex.

The Galveston, Harrisburg and San Antonio is controlled by the Southern Pacific Company through ownership of a majority of its outstanding capital stock. On the other hand, the company controls no common-carrier corporation.

The property of the Galveston, Harrisburg and San Antonio was operated by its own organization from January 26, 1870, to December 31, 1917. On January 1, 1918, its property devoted to common-carrier purposes was taken over for operation by the United States Railroad Administration and is being so operated on date of valuation.

CORPORATE HISTORY

On January 26, 1870, Thomas W. Pierce and associates of Boston, Mass., having previously acquired at trustees' sale the railroad and property formerly owned by the Buffalo Bayou, Brazos and Colorado Railway Company (of 1850), and proceeding under an act of the Legislature of Texas, dated December 19, 1857, organized a new company under the same name. While the new company was organized on that date and took over the property above referred to for operation, the deeds conveying the property were not executed until May and June, 1874. By an act of the same legislature, dated July 27, 1870, the name of the company was changed to that borne on date of valuation, The Galveston, Harrisburg and San Antonio Railway Company.

By an act of that legislature dated May 3, 1905, the Galveston, Harrisburg and San Antonio was authorized to purchase the railroad and other property of the companies stated below. The companies with the date of their purchase are as follows:

Date of purchase	Company
Aug. 8, 1905	Gulf, Western Texas and Pacific Railway Company (of 1878).
Aug. 8, 1905	The New York, Texas and Mexican Railway Company.
Aug. 9, 1905	San Antonio & Gulf Railroad.
Sept. 28, 1905	The Galveston, Houston & Northern Railway Company.
Sept. 28, 1905	Gonzales Branch Railroad Company.

The following chart shows the names of the corporations, the respective dates of incorporation, and for each predecessor the date of succession, the immediately succeeding corporation, and the manner of succession. Reference to each of these corporations is made in the last column by its respective number shown in the first column.

No.	Name	Incorporation	Succession
1	The Galveston, Harrisburg and San Antonio Railway Company.	See 2	
2	Buffalo Bayou, Brazos and Colorado Railway Company.	Special act of Texas, Feb. 11, 1850.	Purchased 3 Sept. 21, 1866. Taken over by new company of same name Jan. 26, 1870. Name changed to 1 on July 27, 1870.
3	Columbus Tap Railway Company.	Special act of Texas, Feb. 2, 1860.	Sold to 2 on Sept. 21, 1866.
4	New York, Texas and Mexican Railway Company.	General laws of Texas, Nov. 17, 1880.	Sold to 1 on Aug. 8, 1905.
5	Gulf, Western Texas and Pacific Railway Company.	See 6	Sold to 1 on Aug. 8, 1905.
6	Gulf, Western Texas and Pacific Railway Company.	Special act of Texas, Aug. 4, 1870.	Name changed to 5, Apr. 8, 1878.
7	San Antonio and Mexican Gulf Railroad.	Special act of Texas, Sept. 5, 1850.	Consolidated with 8 to form 6, Apr. 22, 1871.
8	Indianola Railroad Company	Special act of Texas, Jan. 21, 1858.	Consolidated with 7 to form 6, Apr. 22, 1871.
9	San Antonio & Gulf Railroad	General laws of Texas, Mar. 31, 1897.	Sold to 1 on Aug. 9, 1905.
10	San Antonio and Gulf Shore Railway Company.	General laws of Texas, Dec. 22, 1893.	Sold at foreclosure to trustee, July 7, 1896; in turn sold to 9, May 29, 1897.
11	The Galveston, Houston & Northern Railway Company.	General laws of Texas, Mar. 30, 1899.	Sold to 1 on Sept. 28, 1905.
12	Galveston, LaPorte and Houston Railway Company.	General laws of Texas, Oct. 7, 1892.	Originally incorporated as LaPorte, Houston and Northern Railroad Company. Name changed Jan. 30, 1895. Sold at foreclosure Oct. 4, 1898, and interest assigned to 11 on Apr. 1, 1899.
13	North Galveston, Houston and Kansas City Railroad Company.	General laws of Texas, May 18, 1894.	Sold Jan. 30, 1895, to 12.
14	North Galveston, Houston and Kansas City Railroad Company.	General laws of Texas, June 24, 1892.	Sold at foreclosure May 1, 1894, to Isaac Heffron and sold by him to 13 on May 18, 1894.
15	Gonzales Branch Railroad Company	General laws of Texas, Nov. 12, 1881.	Sold to 1 on May 3, 1905.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The mileage of the Galveston, Harrisburg and San Antonio was all acquired by purchase and construction, as follows:

	Mileage
By purchase	474. 58
By construction	909. 30
	1, 383. 88
Less retirements, revisions, and remeasurements	29. 74
Total mileage inventoried as of date of valuation	1, 354. 14

Purchase.—Of the 14 corporations that comprise the line of succession culminating in the Galveston, Harrisburg and San Antonio as at present constituted, two corporations did not construct any road or other common-carrier property. These companies were—

The Galveston, Houston and Northern Railway Company.
North Galveston, Houston and Kansas City Railroad Company (of 1894).

The property constructed by the remaining corporations, the years when the various portions of the line were constructed, and the manner in which the Galveston, Harrisburg and San Antonio acquired the property are included in the following table, wherein, to facilitate comparison with the table showing the corporate succession, previously given, the same order of corporations is maintained.

	Recorded mileage	
Acquired from Thomas W. Pierce and J. W. Barrett by deeds dated May 21 and June 11, 1874, respectively, the railroad property formerly owned by the Buffalo Bayou, Brazos and Colorado Railway Company, constructed by—		
The Buffalo Bayou, Brazos and Colorado Railway Company—		
Harrisburg to Alleyton, 1853–1860	80.00	
Railroad across Colorado River bridge, 1870	.60	
The Columbus Tap Railway Company, Alleyton to Colorado River, opposite Columbus, 1861–1865	2.50	
		83.10
Acquired from and constructed by the New York, Texas and Mexican Railway Company:		
Rosenberg to Victoria, 1881–1882	92.00	
Wharton to Van Vleck, 1889–1900	31.41	
Van Vleck to Hawkinsville, 1901–1903	16.71	
Bay City Junction to Bay City, 1902	5.94	
Bay City to Markham, 1902–1903	6.04	
Markham to Palacios, 1902–1903	25.62	
	177.72	
Less retirements, 1-mile of track in Victoria	1.00	
		176.72
Acquired from Gulf, Western Texas and Pacific Railway Company (of 1878), Port Lavaca to Cuero and branch line Victoria to Beeville:		
Constructed by—		
Gulf, Western Texas and Pacific Railway Company (of 1878), Victoria to Beeville, 1888–1889	55.60	
San Antonio and Mexican Gulf Railroad, Port Lavaca to Victoria, 1856–1861	28.00	
Indianola Railroad Company, Indianola to Lavaca Junction (Clarks), 1859–1860	15.00	
Gulf, Western Texas and Pacific Railway Company (of 1871), Victoria to Cuero, 1871–1873	28.00	
Total	126.60	
Less road abandoned	15.00	
		111.60
Acquired from the San Antonio & Gulf Railroad, San Antonio to Stockdale, constructed by—		
The San Antonio & Gulf Railroad, Cibolo to Stockdale	8.53	
San Antonio and Gulf Shore Railway Company, San Antonio to Cibolo, 1894–1895	28.40	
		36.93

	Recorded mileage	
Acquired from The Galveston, Houston & Northern Railway Company, Magers to Galveston, including branch:		
Constructed by—		
North Galveston, Houston and Kansas City Railroad Company (of 1892), North Galveston to Virginia Point, 1892	15.69	
Galveston, LaPorte and Houston Railway Company—		
Brady Junction to Strang, 1894–1898	16.48	
Strang to Sylvan, 1894–1898	3.59	
Strang to North Galveston Junction, 1894–1898	16.48	
Virginia Point to Island Station, 1894–1898	2.06	
Island Station to Galveston (Twenty-ninth Street and Post Office Station), 1894–1898	4.29	
Houston (Magers) to Brady Junction, 1894–1898	1.21	
	59.80	
Less road abandoned in 1896, North Galveston Junction to North Galveston	3.61	
Total	56.19	
Less road abandoned	2.06	
		54.13
Acquired from and constructed by the Gonzales Branch Railroad Company, Harwood to Gonzales, 1881–1882		12.10
Total acquired by purchase		474.58

Construction.—Information concerning properties acquired by the Galveston, Harrisburg and San Antonio through construction, including the location, dates of completion of construction, and mileage, is shown in the following tabulation:

Main line	Recorded mileage
Columbus to San Antonio, 1873–1877	125.00
San Antonio to El Paso, 1881–1883	637.89
Houston (Chaney) to Stella, 1879–1881	10.62
Houston Junction to Eureka, 1917–1918	2.94
Eureka to West Junction, 1913–1918	9.38
Branch lines	
Glidden to LaGrange, 1880–1881	24.80
Spofford to Eagle Pass, 1881–1882	34.64
Stockdale to Cuero, 1905–1907	47.04
Strang to Seabrook, 1914	11.23
	903.54
Line changes and revisions, addition	5.76
Total	909.30

	Recorded mileage
Less retirements, revisions, and remeasurements:	
From Chaney Junction to Stella; 1.19 miles abandoned and 9.43 miles converted to siding	10.62
Between San Antonio and Stockdale, abandoned	2.86
From Strang to Sylvan Beach, converted to siding	1.87
Line changes on main line, deduction	14.39
Total	29.74
Total road mileage owned on date of valuation	1,354.14

The road from San Antonio to El Paso and from Spofford to Eagle Pass was constructed for the Galveston, Harrisburg and San Antonio by the Southern Development Company, an affiliated contractor, under a contract dated July 15, 1881. Payment for the work was made in first-mortgage bonds, second-mortgage bonds, and capital stock of the Galveston, Harrisburg and San Antonio. The road between Columbus and San Antonio was constructed by company forces so far as known with the exception of grading and bridge work, which was done by contract. The remainder of the construction work was, as a general rule, done by company forces.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records do not disclose that syndicating arrangements were made in connection with the issuance of securities.

Capital stock and long-term debt.—From the date of its incorporation, January 26, 1870, to date of valuation, the Galveston, Harrisburg and San Antonio has issued or assumed capital stock and funded debt and incurred nonnegotiable debt to affiliated companies, as indicated by its records, aggregating $261,684,988.90 par value, of which $76,861,783,94 is actually outstanding, as summarized in the following table:

Classification	Issued	Retired	Actually outstanding
Capital stock, common, par value	$27,084,400.00		$27,084,400.00
Funded debt:			
Issued, par value	36,986,000.00	$4,721,000.00	32,265,000.00
Assumed, par value	5,936,840.00	5,936,840.00	
Total	42,922,840.00	10,657,840.00	32,265,000.00
Nonnegotiable debt to affiliated companies	191,677,748.90	174,165,364.96	17,512,383.94
Grand total	261,684,988.90	184,823,204.96	76,861,783.94

Capital stock.—The authorized capital stock was originally $2,000,000, divided into shares of $100 par value each and classified as common stock. This amount was increased November 30, 1872, to an amount equivalent to $30,000 per mile of completed road and on July 5, 1881, it was further increased by $550,000 par value. The Galveston, Harrisburg and San Antonio issued capital stock in exchange for the following considerations:

Par value	Consideration		Recorded value
Issued			
$3,911,977.08	Charged to investment in road and equipment account Jan. 1, 1873		$2,051,468.15
	Charged to investment in road and equipment account in 1877		1,860,508.93
20,127,000.00	Road constructed by the Southern Development Company, an affiliated contractor, part payment		20,127,000.00
24,038,977.08	Total issued for consideration		24,038,977.08
3,045,422.92	Total issued in payment of dividends charged as follows:		
	Income	$1,838,022.92	
	Profit and loss	507,400.00	
	Investment in road and equipment	700,000.00	
27,084,400.00	Total par value issued.		
Outstanding $27,084,400.00			

Funded debt.—The Galveston, Harrisburg and San Antonio issued, assumed, and reacquired funded debt in exchange for the following considerations:

Par value	Consideration		Recorded value
Issued or assumed			
$7,618,000.00	Cash (discount $197,890.05, commission $3,140)		$7,416,969.95
2,224,000.00	Property of the Gulf, Western Texas and Pacific Railway Company (of 1871) part payment		2,224,000.00
2,360,000.00	Property of The New York, Texas and Mexican Railway Company, part payment		2,360,000.00
900,000.00	Property of The Galveston Southern & Northern Railway Company, part payment		900,000.00
552,840.00	Offset by amount charged in investment in road and equipment account in opening entry Jan. 1, 1873		552,840.00
16,772,000.00	Road constructed		16,772,000.00
1,640,000.00	Equipment purchased		1,640,000.00
5,191,000.00	Settlement of open account with affiliated companies (discount $470,300)—		
	Road	$933,143.92	
	Equipment	1,197,000.00	
	Other	2,590,556.08	
		4,720,700.00	4,720,700.00
3,147,000.00	Settlement of open accounts with various individuals and companies (discount $971,943.72):		
	Construction	257,677.32	
	Other	1,917,378.96	
		2,175,056.28	2,175,056.28
365,000.00	Sold by the Southern Pacific Company (premium $49,275), and charged that company in open account		414,275.00
2,143,000.00	Funded debt retired		2,143,000.00
10,000.00	Notes, retired (discount $2,000)		8,000.00
42,922,840.00	Total issued for considerations		41,326,841.23
Reacquired and retired			
$470,902.54	Cash ($2,091.11 less than par value)		468,811.43
4,866,937.46	Nonnegotiable debt to affiliated companies, bonds retired by the Southern Pacific Company for account of the carrier ($960,839 less than par value)		3,906,098.46
2,143,000.00	Funded debt issued		2,143,000.00
3,177,000.00	Surrender by bondholders and canceled.		
10,657,840.00	Total reacquired for considerations		6,517,909.89
Outstanding $32,265,000.00			

The difference between the par value of funded debt issued or assumed by the Galveston, Harrisburg and San Antonio and the considerations recorded as received in exchange therefor, being discounts aggregating $1,642,133.77 and premiums aggregating $49,275, together with the commissions paid aggregating

$27,890 and expense incurred in the amount of $39,317.02 in the issuance of such securities, was distributed to accounts as detailed hereunder.

	Premium credited	Discount charged	Commission charged	Expense charged
Income	$49,275.00			
Investment in road and equipment		$1,642,133.77	$27,890.00	$39,317.02

The difference between the par value and the reacquisition cost of funded debt reacquired by the Galveston, Harrisburg, and San Antonio, being an amount of $962,930.11, was adjusted by crediting profit and loss account with $956,680 and investment in road and equipment account with $6,250.11.

A statement of the funded debt of the Galveston, Harrisburg and San Antonio actually outstanding, on date of valuation, follows:

Title of security	Date of maturity	Actually outstanding
Unmatured, issued:		
First-mortgage Eastern Division 6 per cent 40-year bonds; date of maturity originally Feb. 1, 1910, was extended to	Aug. 1, 1935	$4,728,000
Second-mortgage Eastern Division 6 per cent 25-year bonds; date of maturity originally June 1, 1905, was extended to June 1, 1935, interest rate prior to June 1, 1905, was 7 per cent	June 1, 1935	1,000,000
First-mortgage Mexican and Pacific Extension 5 per cent 50-year bonds	May 1, 1931	13,418,000
Second-mortgage Mexican and Pacific Extension 5 per cent 50-year bonds (interest rate prior to Jan. 1, 1915, was 6 per cent)	July 1, 1931	2,539,000
Equipment bonds 6 per cent series A due $82,000 semiannually		1,558,000
First-mortgage Galveston-Victoria Division 6 per cent 30-year bonds	June 1, 1940	9,022,000
Total		32,265,000

Nonnegotiable debt to affiliated companies.—The Galveston, Harrisburg and San Antonio incurred nonnegotiable debt to various companies and individuals aggregating $190,608,174.20 to date of valuation, classified as open accounts, of which $173,095,790.26 have been repaid, leaving $17,512,383.94 owing on date of valuation. The considerations recorded as passed in connection with incurring and repayment of this debt were as detailed hereunder.

Amount	Consideration	Recorded value
Incurred		
$24,921,349.03	Cash advanced	$24,921,349.03
45,092,713.50	Drafts in settlement of current accounts	45,092,713.50
44,350,541.46	Interest on funded and other debt	44,350,541.46
39,108,708.20	Current liabilities paid	39,108,708.20
18,297,923.41	Securities acquired for account of the carrier	18,297,923.41
14,977,163.11	Operating expenses paid	14,977,163.11
3,406,826.12	Rental of equipment	3,406,826.12
68,990.37	Deficit from leasehold operations from Jan. 1, 1888, to June 30, 1889	68,990.37
92,000.00	Capital stock of other companies acquired for the Galveston, Harrisburg and San Antonio	92,000.00
291,959.00	Miscellaneous	291,959.00
190,608,174.20	Total	190,608,174.20
Repaid		
$12,530,523.96	Cash	12,530,523.96
60,071,147.69	Drafts in settlement of current liabilities	60,071,147.69
62,349,434.79	Traffic balances, labor and material furnished, accounts collected	62,349,434.79
19,714,473.74	Earnings of Galveston, Harrisburg and San Antonio retained	19,714,473.74
15,253,970.77	Securities of the Galveston, Harrisburg and San Antonio	15,253,970.77
630,945.75	Interest in debit balances in open accounts	630,945.75
2,545,293.56	Miscellaneous	2,545,293.56
173,095,790.26		173,095,790.26
Owing		
$17,512,383.94		

Short-term notes.—The Galveston, Harrisburg, and San Antonio has issued or assumed short-term notes of $23,713,161.38 par value to date of valuation, all of which have been retired. The considerations recorded as passed in connection with the issuance of these notes and the reacquirement thereof are detailed in the statement following:

Par value	Consideration	Recorded value
Issued or assumed		
$10,669,088.96	Cash	$10,669,088.96
370,349.40	Construction	370,349.40
100,000.00	Property of the Galveston, Houston & Northern Railway Company, part payment	100,000.00
11,300,995.77	Settlement of nonnegotiable debt	11,300,995.77
1,272,727.25	Settlement of current liabilities	1,272,727.25
23,713,161.38	Total	23,713,161.38
Reacquired and retired		
$10,567,583.19	Cash	10,567,583.19
12,873,824.95	Transferred to open accounts with affiliated companies	12,873,824.95
73,842.23	Applied against current accounts due the Galveston, Harrisburg and San Antonio	73,842.23
97,200.00	Paid by individuals and companies whole accounts were subsequently settled by first-mortgage bonds	97,200.00
8,000.00	First-mortgage 6 per cent bonds	8,000.00
7,224.42	Canceled, charged to profit and loss	7,224.42
85,486.59	Bexar County bonds, par value $94,000	85,486.59
23,713,161.38	Total	23,713,161.38

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations as shown in the income and profit and loss accounts of the Galveston, Harrisburg and San Antonio and the United States Railroad Administration are given separately below.

Income statement of the Galveston, Harrisburg and San Antonio.—A condensed summary of the income accounts for the year ending on December 31, 1917, and for the period from January 26, 1870, to December 31, 1917, follows:

	Year	Period
Operating income:		
Railway operating revenues	$19,737,996.52	$256,339,586.79
Railway operating expenses	11,514,978.33	188,390,704.44
Net revenue from railway operations	8,223,018.19	67,948,882.35
Railway tax accruals	1,327,389.61	7,689,774.90
Uncollectible railway revenues	14,280.14	27,964.13
Railway operating income	6,881,348.44	60,231,143.32
Revenues from miscellaneous operations		67,160.67
Expenses of miscellaneous operations		60,539.52
Net revenue from miscellaneous operations		6,621.15
Total operating income	6,881,348.44	60,237,764.47
Nonoperating income:		
Hire of equipment	345,464.31	8,596,913.66
Joint-facility rent income	218,329.45	2,991,334.84
Income from lease of road		757,432.47
Miscellaneous rent income	18,468.23	109,118.93
Miscellaneous nonoperating physical property	17,106.87	106,093.11
Separately operated properties, profit	9,145.51	89,021.61
Dividend income		9,739.66
Income from funded securities		117.40
Income from unfunded securities and accounts	19,113.70	111,520.55
Income from sinking and other reserve funds	270,703.75	1,407,729.04
Release of premiums on funded debt		49,275.00
Miscellaneous income		154,093.07
Total nonoperating income	898,331.82	14,382,389.34
Gross income	7,779,680.26	74,620,153.81

	Year	Period
Deductions from gross income:		
Hire of equipment	$1,132,551.45	$11,790,850.58
Joint-facility rents	185,432.53	1,087,879.04
Rent for leased roads	9,000.00	30,750.00
Miscellaneous rents	8,737.32	61,883.16
Interest on funded debt	2,811,735.08	54,223,176.14
Interest on unfunded debt	1,109.01	1,743,478.43
Expended for property (see adjustment in profit and loss)		2,254,809.41
Miscellaneous income charges		50,914.20
Total deductions from gross income	4,148,565.39	71,243,740.96
Net income	3,631,114.87	3,376,412.85
Disposition of net income:		
Income applied to sinking and other reserve funds	430,273.75	2,490,249.04
Dividend appropriations of income		1,838,022.92
Income appropriated for investment in physical property		49,303.33
Total appropriations of income	430,273.75	4,377,575.29
Income credit balance transferred to profit and loss	3,200,841.12	
Income debit balance transferred to profit and loss		1,001,162.44

Income statement of the United States Railroad Administration.—A statement of the income account during the United States Railroad Administration's first six months' period of operations, January 1, 1918, to date of valuation, follows:

	Galveston, Harrisburg and San Antonio	United States Railroad Administration
Operating income:		
Railway operating revenues		$9,940,671.68
Railway operating expenses		7,028,915.45
Net revenue from railway operations		2,911,756.23
Railway tax accruals	$15,000.00	341,004.83
Uncollectible railway revenues		1,619.93
Total operating income		2,569,131.47
Total operating deficit	15,000.00	
Nonoperating income:		
Hire of equipment		244,619.06
Joint-facility rent income		66,758.94
Income from lease of road	1,629,798.06	
Miscellaneous rent income	11,099.31	
Miscellaneous nonoperating physical property	8,813.97	
Separately operated properties, profit	8,355.09	
Income from funded securities	82.37	
Income from unfunded securities and accounts	10,468.21	1,874.07
Income from sinking and other reserve funds	145,749.97	
Miscellaneous income	399.80	
Total nonoperating income	1,814,766.78	313,252.07
Gross income	1,799,766.78	2,882,383.54
Deductions from gross income:		
Hire of equipment		649,623.20
Joint-facility rents		85,310.64
Rent for leased roads	8,737.41	
Miscellaneous rents	Cr. 25.00	
Interest on funded debt	1,386,225.24	
Interest on unfunded debt	53.35	
Maintenance of investment organization	50.00	
Total deductions from gross income	1,395,041.00	734,933.84
Net income	404,725.78	2,147,449.70
Disposition of net income, income applied to sinking and other reserve funds	225,534.91	
Total appropriations of income	225,534.91	
Income credit balance transferred to profit and loss	179,190.87	2,147,449.70

An examination showed that under the present classification of accounts certain items included in other accounts would be includible in the income account, and that other items included therein would be transferable elsewhere. Certain income items recorded in the profit and loss account would be includible in an income statement for the period. These items, grouped according to their effect on the income account for the period, follow:

Items	Amounts	Totals
Increases:		
Transferable from credits to profit and loss account—		
Addible to railway operating revenues	$103,144.63	
Addible to revenue from miscellaneous operations	15,255.06	
Deductible from railway tax accruals	5,965.46	
Addible to miscellaneous rent income	279.75	
Addible to miscellaneous nonoperating physical property	734.63	
Addible to income from funded securities	26,560.00	
Addible to income from unfunded securities and accounts	89.14	
Deductible from rent for work equipment	5,000.00	
Deductible from interest on funded debt	20,232.94	
Deductible from interest on unfunded debt	611.57	
		$177,873.18
Transferable to charges to profit and loss account, deductible from railway operating expenses		13,067.87
Total increases		190,941.05
Decreases:		
Transferable from debit to profit and loss account—		
Deductible from railway operating revenue	14,339.13	
Addible to railway operating expenses	96,288.28	
Addible to expenses of miscellaneous operations	11,520.09	
Deductible from income from lease of road	119,332.19	
Addible to rent for work equipment	3,810.58	
Addible to interest on funded debt	1,067,398.63	
Addible to interest on unfunded debt	58,259.16	
Addible to railway operating expenses; depreciation	2,992,004.65	
		4,362,952.71
Transferable to credits to profit and loss account—		
Deductible from income from unfunded securities or accounts	30,457.50	
Deductible from miscellaneous income charges	109,095.05	
		139,552.55
Transferable from charges to investment in road and equipment account—		
Addible to railway operating expenses	76,407.86	
Addible to interest on funded debt	193,224.66	
Addible to interest on unfunded debt	76,056.88	
		345,689.40
Total decreases		4,848,194.66
Net decrease		4,657,253.61

If the income account of the Galveston, Harrisburg and San Antonio were adjusted to the extent indicated above, and if the other items therein were taken at their recorded amounts, the debit balance transferable to profit and loss would be increased to $5,479,225.18.

Profit and loss statement of the Galveston, Harrisburg and San Antonio.—A condensed summary of the profit and loss accounts for the period January 26, 1870, to date of valuation, follows:

Credits:	
Profit on road and equipment sold	$130,482.99
Delayed income credits	177,873.18
Unrefundable overcharges	32,015.87
Donations	76,853.54
Miscellaneous credits—	
Adjustment or cancellation of balance sheet accounts	94,990.45
Credits resulting from adjustments required to bring to par securities issued or assumed and reacquired at a cost less than the par value	956,680.00

Credits—Continued.		
Miscellaneous credits—Continued.		
Amount received as bonus from Wells Fargo & Co. under contract of Oct. 4, 1893, covering transportation of express matter	$253, 173. 38	
Adjustment of amount charged in income as expenditure for property	2, 161, 155. 77	
Cancellation of Mexican and Pacific Extension second-mortgage bonds	3, 177, 000. 00	
Waiver of interest on Mexican and Pacific Extension second-mortgage bonds	3, 049, 920. 00	
Other miscellaneous	135, 415. 50	
Total		10, 245, 560. 68
Debits:		
Net debit balance transferred from income		821, 971. 57
Surplus applied to sinking and other reserve funds		3, 287, 410. 00
Dividend appropriations of surplus		507, 400. 00
Surplus appropriated for investment in physical property		37, 072. 84
Loss on retired road and equipment		1, 456, 703. 45
Delayed income debits		4, 362, 952. 71
Miscellaneous debits—		
Adjustments or cancellations of balance sheet accounts		620, 913. 59
Expended for improvements—1880		38, 180. 20
Other miscellaneous items		20, 865. 19
Total		11, 153, 469. 55
Debit balance on date of valuation		907, 908. 87

An examination showed that under the present classification of accounts, certain items included in other accounts would be includible in the profit and loss account, and that other items recorded therein would be transferable elsewhere. These items, grouped according to their effect on the profit and loss account, follow:

Increase, transferable from credits to investment in road and equipment—		
Surplus from operations for six months ended Dec. 31, 1877	$49, 303. 33	
Premium on exchange	96, 356. 12	
Total increases		145, 659. 45
Decrease, transferable from charges to investment in road and equipment—		
Losses on sales of investment securities		125, 077. 55
Preliminary surveys abandoned		19, 722. 90
Expenses in connection with donation of bonds by Bexar County		50, 000. 00
Payments for services rendered at legislature		31, 180. 00
Par value of capital stock issued as a dividend		700, 000. 00
Payment of adjustment of miscellaneous accounts		89, 071. 02

Decrease, transferable from charges to investment in road and equipment—Continued.		
Miscellaneous	$6, 981. 54	
Items transferable through income, and detailed thereunder	345, 689. 40	
Total decreases		1, 367, 722. 41
Net decrease		1, 222, 062. 96

If the profit and loss account were adjusted so far as indicated above, and if the remaining items therein were taken at their recorded amounts, the debit balance in that account would be increased to $2,129,971.83.

The only item in the profit and loss account of the United States Railroad Administration was the credit of $2,147,449.70 transferred from income account.

Dividends.—Dividends aggregating $3,045,422.92 were declared by the Galveston, Harrisburg and San Antonio during the period from November 1, 1875, to October 25, 1881, of which $1,838,022.92 was charged to income, $507,400 to profit and loss, and $700,000 to investment in road and equipment. All of the dividends declared were payable in capital stock.

The stock dividends declared were not at any specific rate per cent. The amount of $1,838,022.92 is stated to be income which would have been available for dividends if it had not been used for construction purposes and which formed the basis for stock dividends paid in lieu thereof. The $700,000 charged to investment in road and equipment is recorded as the "estimated value of donations to be distributed by Chief Engineer."

The dividend of $507,400 was paid on account of surplus funds having been used for construction of the La Grande Extension and the main line from Stella to Houston.

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Galveston, Harrisburg and San Antonio in road and equipment, including land, on date of valuation, is stated in its books as $75,966,630.45, of which the following is a general analysis:

Amount set up Jan. 1, 1873, against amounts concurrently recorded as liabilities then outstanding as follows:			
Capital stock	$2, 051, 468. 15		
Amount estimated by the Galveston, Harrisburg and San Antonio as due the State of Texas on account of loan from the State of Texas School fund	552, 840. 00		
			$2, 604, 308. 15
Properties purchased in 1905:			
Gulf, Western Texas and Pacific Railway Company (of 1878)—			
First-mortgage bonds of the Gulf, Western Texas and Pacific Railway Company (of 1878) assumed	2, 224, 000. 00		
Less current and other assets acquired	27, 382. 14		
			2, 196, 617. 86

Properties purchased in 1905—Continued.		
New York, Texas and Mexican Railway Company—		
First-mortgage bonds of the New York, Texas and Mexican Railway Company, assumed	$2,360,000.00	
Current liabilities of the New York, Texas and Mexican Railway Company, assumed	1,621,751.77	
	3,981,751.77	
Less current and other assets acquired	277,277.52	
		$3,704,474.25
San Antonio and Gulf Railroad—		
Recorded money outlay	550,000.00	
Less current assets acquired	2,657.41	
		547,342.59
Galveston, Houston and Northern Railway Company—		
First-mortgage bonds of the Galveston, Houston and Northern Railway Company assumed	800,000.00	
Long-term notes of the Galveston, Houston and Northern Railway Company assumed	100,000.00	
Recorded money outlay	543,000.00	
	1,443,000.00	
Less current and other assets acquired	94,902.90	
		1,348,097.10
Gonzales Branch Railroad Company—		
Construction advances made by the Galveston, Harrisburg and San Antonio to the Gonzales Branch Railroad Company canceled upon acquisition of the property	137,153.80	
Less cash donations received by the Galveston, Harrisburg and San Antonio for account of the Gonzales Branch Railroad Company	17,409.01	
		119,744.79
		10,520,584.74
Construction and additions and betterments, not separable:		
Road and equipment—		
Recorded money outlay, including $215,851.10 interest on bonds during construction period		23,465,023.53
Nonnegotiable debt subsequently settled by first-mortgage 6 per cent bonds		1,197,000.00
Amount charged representing interest at 7 per cent and 8 per cent on notes and bills for material, and on notes discounted for cash		242,524.80

Construction and additions and betterments—Continued.		
Road and equipment—Continued.		
Amount charged representing interest at 12 per cent per annum on amounts advanced for construction by T. W. Pierce		$144,957.97
Outlay in securities at par, issued to the Southern Development Company, an affiliated contractor, in part payment for road constructed—		
First-mortgage bonds	$13,418,000.00	
Second-mortgage bonds	3,354,000.00	
Capital stock	20,127,000.00	
	36,899,000.00	
Equipment bonds, series A, issued for equipment	1,640,000.00	
Short-term notes, subsequently retired by cash	370,349.40	
		38,909,349.40
Outlay in securities at an agreed value—		
Second-mortgage bonds issued to the Southern Development Company, an affiliated contractor, in part payment for road constructed		933,142.92
Open accounts with various individuals and companies, settled by first-mortgage, 6 per cent bonds		257,677.32
Miscellaneous—		
Recorded money outlay by the Galveston, Harrisburg and San Antonio to date of valuation, on a line of road between Rosenberg and Damon 21.80 miles in length, which was not opened for operation until after date of valuation		368,686.30
Amount transferred from other accounts, nature of outlay not determined		3,348.54
Amount transferred from operating expenses to investment in road and equipment account in 1883 and recorded by the Galveston, Harrisburg and San Antonio as an estimate of amounts previously charged to the former account, which should have been charged to the latter		253,676.33
Amount recorded in 1899 as being expenditures made for construction in 1883–1885 (no further details)		242,994.94
Portion of discount and expense on bonds applicable to the construction period		33,159.61
Salary and expenses of foreign agents 1874 to 1876, both inclusive (no further details)		2,318.52
Rent of office 1873 to 1877, both inclusive (no further details)		2,554.90
Amount described as 50 per cent of proportion of contract of May 21, 1874, paid to J. F. Barrett (no further details)		13,034.44
Commission paid in settlement of accounts with foreign agents		6,574.43
		66,076,023.95

Less retirements of road and equipment:		
Land sold for proceeds of	$243, 286. 11	
Property (road) retired or sold and credited at	1, 023, 364. 79	
Buildings destroyed for which insurance was recovered, amounting to	17, 550. 61	
Equipment retired or sold and credited at	2, 473, 021. 90	
		$3, 757, 223. 41
		62, 318, 800. 54
Other items not in accord with the present classification of accounts, net charges:		
Debit items—		
Transferable to balance sheet account, Discount on Funded Debt, or to other accounts—		
Discount on bonds	1, 610, 927. 01	
Commission and expense in connection with the issuance of funded debt	65, 254. 17	
	1, 676, 181. 18	
Transferable to operating expenses, salaries and expenses of general officers	58, 500. 00	
Transferable to income account—		
Interest on funded debt	193, 224. 66	
Interest on unfunded debt	76, 056. 88	
	269, 281. 54	
Transferable to profit and loss account—		
Losses on sales of investment securities	125, 077. 55	
Preliminary surveys abandoned	19, 722. 90	
Expenses in connection with donation of bonds by Bexar County	50, 000. 00	
Payments for services rendered at legislature	31, 180. 00	
Par value of capital stock issued as a dividend	700, 000. 00	
Payment or adjustment of miscellaneous accounts	89, 071. 02	
Miscellaneous	407. 11	
	1, 015, 458. 58	
Transferable to other accounts, amount charged to investment in road and equipment account and credited to capital stock account in 1877, stated by the Galveston, Harrisburg and San Antonio as representing "value of lands received"	1, 860, 508. 93	

Other items not in accord with the present classification of accounts, net charges—Continued.		
Credit items—		
Transferable to balance sheet account, Discount on Funded Debt, or to other accounts, difference between the par value and the reacquisition cost of first-mortgage bonds reacquired by the Galveston, Harrisburg and San Antonio	$6, 250. 11	
Transferable to balance sheet account, Grants in Aid of Construction, Bexar County bonds donated, par value	300, 000. 00	
Transferable to profit and loss account—		
Surplus from operations for six months ended Dec. 31, 1877	49, 303. 33	
Premium on foreign and local exchange	96, 356. 12	
Transferable to other accounts, amount recorded by the Galveston, Harrisburg and San Antonio as being the "estimated value of lands believed to have been acquired under the railroad subsidy laws of the State of Texas, which have been lost under adverse decisions of the courts"	1, 300, 775. 50	
		$3, 127, 245. 17
Balance on date of valuation		75, 966, 630. 45

If the other items were eliminated from the investment in road and equipment account and the remaining items were taken at their recorded amounts, the balance in the account would be decreased to $72,839,385.28.

This balance as so far adjusted, would, so far as it is resolvable into its constituent elements, comprise the following classes of outlay:

Recorded money outlay	$24, 926, 708. 83
Amount charged representing interest at 7 per cent and 8 per cent on notes and bills for material, and on notes discounted for cash	242, 524. 80
Amount charged representing interest at 12 per cent per annum on amounts advanced for construction by T. W. Pierce	144, 957. 97
Nonnegotiable debt, subsequently settled by first-mortgage, 6 per cent bonds	1, 197, 000. 00
Outlay in securities at par	38, 909, 349. 40
Outlay in securities at an agreed value	933, 143. 92
Open accounts with various individuals and companies, settled by first-mortgage, 6 per cent bonds	257, 677. 32
Funded debt assumed	5, 484, 000. 00
Current liabilities assumed	1, 621, 751. 77
Construction advances made by the Galveston, Harrisburg and San Antonio, canceled upon acquisition of the property	137, 153. 80
Amount transferred from other accounts, nature of outlay not known	3, 348. 54
Amount charged in opening entry, nature of outlay not known	2, 604, 308. 15

Amount transferred from operating expenses to investment in road and equipment account in 1883, recorded by the Galveston, Harrisburg and San Antonio as an estimate of amounts previously charged to the former account which should have been charged to the latter	$253, 676. 33
Amount recorded in 1899 as being expenditures for construction in 1883–1885 (no further details)	242, 994. 94
Portion of discount and expense on bonds applicable to the construction period	33, 159. 61
Salary and expenses of foreign agents 1874 to 1876, both inclusive (no further details)	2, 318. 52
Rent of office 1873 to 1877, both inclusive, (no further details)	2, 554. 90
Amount described as 50 per cent of proportion of contract of May 21, 1874, paid to J. F. Barrett (no further details)	13, 034. 44
Commission paid in settlement of accounts with foreign agents	6, 574. 43
From which should be deducted such portion, not definitely ascertainable, as may be represented by—	
Land sold for proceeds of	243, 286. 11
Property (road) retired or sold and credited at	1, 023, 364. 79
Buildings destroyed for which insurance was recovered amounting to	17, 550. 61
Equipment retired or sold and credited at	2, 473, 021. 90
Current assets taken over at recorded cost of	419, 628. 98

Besides the foregoing the Galveston, Harrisburg and San Antonio recorded charges of $93,653.64 and $38,180.20 to its income and profit and loss accounts, respectively, purporting to be expenditures for property. But, since it is not possible solely from an analysis of the amounts, to determine whether such charges, on the one hand, represent, the cost of additional property in existence on date of valuation, and on the other hand, do not represent renewals and replacements, in whole or in part, of property already charged to the investment in road and equipment account and not written out, they have not been transferred to the investment in road and equipment account.

The above outlays may include some of the cost of noncarrier land and some of the undetermined portions, assignable to noncarrier lands, of the cost of lands classified as partly carrier and partly noncarrier, for the Galveston, Harrisburg and San Antonio's charges to miscellaneous physical property account, in the amount of $13,079.90, do not account for the cost of all such land. The costs of the above lands, so far as they are indicated by accounting records, together with certain amounts reported by the Galveston, Harrisburg and San Antonio as costs of such lands, but which are not supported in the accounts, are stated in the chapter on original cost to date.

ORIGINAL COST TO DATE

The original cost to date of the road and equipment, including land, owned by the Galveston, Harrisburg and San Antonio and used for common-carrier purposes has not been definitely ascertained. For the following property acquired from its predecessors no accounting or construction records of the outlays either for its original construction or for improvements prior to dates stated can be found:

Property	Mileage
Harrisburg to Alleyton	80.00
Colorado River crossing at Columbus, Tex	.60
	80. 60
(Constructed by the Buffalo Bayou, Brazos and Colorado Railway Company (of 1850). Purchased by the Galveston, Harrisburg and San Antonio whose accounting records date from Jan. 1, 1873.)	
Alleyton to Colorado River, opposite Columbus	2. 50
(Constructed by the Columbus Tap Railway Company, predecessor of the Buffalo Bayou, Brazos and Colorado Railway Company (of 1850). Purchased through the latter company by the Galveston, Harrisburg and San Antonio whose accounting records date from Jan. 1, 1873.)	
Port Lavaca to Victoria	28. 00
(Constructed by the San Antonio and Mexican Gulf Railroad, a predecessor of the Gulf Western Texas and Pacific Railway Company (of 1878), which company acquired the property Apr. 26, 1878.)	
Victoria to Cuero	28. 00
(Constructed by the Gulf, Western Texas and Pacific Railway Company (of 1870), a predecessor of the Gulf, Western Texas & Pacific Railway Company (of 1878), which company acquired the property Apr. 26, 1878.)	
Victoria to Beeville	55. 60
(Constructed by the Gulf Western Texas and Pacific Railway Company (of 1878), which company sold the property to the Galveston, Harrisburg and San Antonio, Aug. 8, 1905.)	
San Antonio to Cibolo	28. 40
(Constructed by the San Antonio and Gulf Shore Railway Company, predecessor of the San Antonio and Gulf Railroad, which company acquired the property May 29, 1897.)	
North Galveston Junction to Virginia Point	12. 08
(Constructed by the North Galveston, Houston and Kansas City Railroad Company (of 1892), a predecessor of the Galveston, Houston & Northern Railroad Company, which company acquired the property and assumed its operation May 1, 1899.)	
Houston (Magers) to North Galveston Junction	34. 17
Strang to Sylvan	3. 59
Island to Galveston	4. 29
(Constructed by the Galveston, La Porte and Houston Railway Company, a predecessor of the Galveston, Houston & Northern Railway Company, which company acquired the property and assumed its operation May 1, 1899.)	
Total	277. 23

The obtainable data on the outlay by or for the Galveston, Harrisburg and San Antonio and its predecessors for creating and improving the remainder of the property, and for improvements, subsequent to the dates stated in foregoing paragraphs, to the property on which the original outlay can not be obtained, consist of the following:

The New York, Texas and Mexican Railway Company, recorded money outlay		$1, 579, 999. 22
By the contractor, recorded money outlay		1, 664, 532. 53
Gulf, Western Texas and Pacific Railway Company (of 1878):		
Funded debt issued, par value		1, 274, 816. 01
Recorded money outlay		190, 576. 18
From which should be deducted such portion, not definitely ascertainable, as may be represented by, track and equipment retired and credited at		22, 591. 29
San Antonio and Gulf Railroad:		
Recorded money outlay		50, 821. 19
Nonnegotiable debt		13, 825. 00
Short-term notes, subsequently settled by cash		5, 450. 00
The Galveston, Houston & Northern Railway Company:		
Recorded money outlay		434, 252. 40
Outlay in securities at par—		
Long-term notes	$100, 000. 00	
Short-term notes, subsequently settled by cash	8, 213. 70	
		108, 213. 70

The Galveston, Houston & Northern Railway Company—Con.	
From which should be deducted such portion, not definitely ascertainable, as may be represented by, track and structures retired and credited at	$7, 364. 96
Gonzales Branch Railroad Company, recorded money outlay, by the Galveston, Harrisburg and San Antonio	137, 153. 80
Galveston, Harrisburg and San Antonio:	
Recorded money outlay	23, 465, 023. 53
Amount transferred from operating expenses to investment in road and equipment account in 1883 and recorded by the company as an estimate of amounts previously charged to the former account, which should have been charged to the latter	253, 676. 33
Amount recorded in 1899 as being expenditures made for construction in 1883–1885 (no further details)	242, 994. 94
Portion of discount and expense on bonds applicable to the construction period	33, 159. 61
Amount charged representing interest at 7 per cent and 8 per cent on notes and bills for material, and on notes discounted for cash	242, 524. 80
Amount charged representing interest at 12 per cent per annum on amounts advanced for construction by T. W. Pierce	144, 957. 97
Nonnegotiable debt, subsequently settled by first-mortgage, 6 per cent bonds	1, 197, 000. 00
Outlay in securities at par	38, 909, 349. 40
Outlay in securities at an agreed value	933, 142. 92
Liability to various individuals and companies subsequently settled by first-mortgage bonds	257, 677. 32
Salary and expenses of foreign agents 1874 to 1876, both inclusive (no further details)	2, 318. 52
Rent of office 1873 to 1877, both inclusive (no further details)	2, 554. 90
Amount described as 50 per cent of proportion of contract of May 21, 1874, paid to J. F. Barrett (no further details)	13, 034. 44
Commission paid in settlement of accounts with foreign agents	6, 574. 43
From which should be deducted such portion, not definitely ascertainable, as may be represented by—	
Land sold, proceeds credited at	243, 286. 11
Road retired or sold and credited at	1, 023, 364. 79
Buildings destroyed for which insurance was recovered amounting to	17, 550. 61
Equipment retired or sold and credited at	2, 473, 021. 40
The items of outlay listed above may be summarized as follows:	
Recorded money outlay	$27, 522, 358. 85
Amounts charged representing interest at 7 per cent and 8 per cent on notes and bills for material, and on notes discounted for cash	242, 524. 80
Amount charged representing interest at 12 per cent per annum on amounts advanced for construction by T. W. Pierce	144, 957. 97
Portion of discount and expense on bonds applicable to the construction period	33, 159. 61

Amount transferred from operating expenses to investment in road and equipment account in 1883 and recorded by the company as an estimate of amounts previously charged to the former account, which should have been charged to the latter	$253, 676. 33
Amount recorded in 1899 as being expenditures made for construction in 1883–1885 (no further details)	242, 994. 94
Salary and expenses of foreign agents 1874 to 1876, both inclusive (no further details)	2, 318. 52
Rent of office 1873 to 1877, both inclusive (no further details)	2, 554. 90
Amount described as 50 per cent of proportion of contract of May 21, 1874, paid to J. F. Barrett (no further details)	13, 034. 44
Commission paid in settlement of accounts with foreign agents	6, 574. 43
Nonnegotiable debts to affiliated companies	1, 210, 825. 00
Outlay in securities at par	40, 297, 829. 11
Outlay in securities at an agreed value	933, 142. 92
Liability to various individuals and companies, subsequently settled by first-mortgage bonds	257, 677. 32
From which should be deducted such portion, not definitely ascertainable, as may be represented by—	
Road and equipment sold or retired and credited at	3, 658, 215. 29
Land sold, proceeds credited at	243, 286. 11
Buildings destroyed, insurance recovered amounting to	17, 550. 61

The above outlays may include some or all of the undetermined cost of certain lands classified herein as noncarrier lands, and some or all of the undetermined portions assignable to noncarrier lands, of the cost of lands classified herein as partly carrier and partly noncarrier, for the Galveston, Harrisburg and San Antonio's charges to miscellaneous physical property account in the amount of $13,079.90, do not account for all of the cost of such lands. The cost of the above lands, so far as they are indicated by the accounting records, together with certain amounts reported by the Galveston, Harrisburg and San Antonio as costs of such lands, but which are not supported in the accounts, are stated in the section of this chapter devoted to cost of lands.

The Galveston, Harrisburg and San Antonio and its predecessors recorded outlays amounting to $420,311.12, purporting to have been for additions and betterments which were charged to the income or profit and loss accounts of the respective companies in amounts as follows:

Company	Charged to income	Charged to profit and loss
Galveston, Harrisburg and San Antonio	$93, 653. 64	$38, 180. 20
The New York, Texas and Mexican Railway Company	116, 179. 95	----------
Gulf, Western Texas and Pacific Railway Company (of 1878)	25, 361. 85	----------
San Antonio and Gulf Railroad	23, 278. 35	----------
The Galveston, Houston & Northern Railway Company	123, 557. 13	----------
Total	382, 130. 92	38, 180. 20

But since it is not possible, solely from an analysis of the accounts, to determine whether such items both represent the cost of additional property in existence on date of valuation, and also do not represent renewals or replacements, in whole or in part, of property retired and not written out of the accounts, this amount has not been included in original cost to date.

Cost of lands.—The Galveston, Harrisburg and San Antonio reports amounts aggregating $1,250,913.44 as the outlays by itself and its predecessors in connection with lands and rights owned or used by it, including noncarrier lands, and that the proceeds from the sale of parts of parcels aggregate $105,524.63.

A verification of the amounts indicate that the reported outlays should be reduced by $4,444.18, and that the proceeds from the sale of parts of parcels sold should be increased by $32,166.81, as detailed below:

Description	Amount	Proceeds from sales
Additions:		
Understatement of costs and sales	$180.00	$32,166.81
Clerical errors	8.47	
Total	188.47	32,166.81
Deductions:		
Overstatement of costs	1,090.00	
Payments for rentals returned as costs	472.50	
Recorded costs estimated	3,070.15	
Total	4,632.65	
Net total additions		32,166.81
Net total deductions	4,444.18	

The returns include certain lands which were donated classified as carrier owned and used; certain lands which were donated classified as carrier owned but used by other carriers; certain lands for which nominal deed considerations only are reported; certain lands for which no considerations are named in instruments; certain lands acquired through exchange of other lands; certain lands held by adverse possession; certain lands for which there is no reference to evidence of title; certain lands leased without reported costs; certain lands for which the considerations recited in deeds are other than of a monetary value; certain lands acquired by condemnation or patent, for which costs are not ascertainable; and certain rights in public domain and in private lands without reported costs.

The amounts reported by the Galveston, Harrisburg and San Antonio as costs for the remaining lands owned, after making the changes noted above, are made up in part of costs supported by accounting records and in part of substantial considerations named in deeds or other instruments, which the Galveston, Harrisburg and San Antonio returned as costs but which are not supported by accounting records. These amounts and the proceeds from parts of parcels sold, both classified according to the classification herein of the lands to which they apply, are summarized as follows:

Classification	Costs supported by accounting records	Amounts not supported by accounting records
Lands classified as carrier:		
Owned and used (includes $267,003.94 supported costs not separable as to lands classified as carrier owned and used, owned but partly used, noncarrier, and partly carrier and partly noncarrier)	$42,403.85	$1,087,631.74
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of (includes $14,047.65 not separable as to lands classified as carrier, owned and used, noncarrier, and partly carrier and partly noncarrier)		137,074.67
Owned but partly used by other carriers	(1)	3,750.00
Owned jointly and used jointly		8,712.97
Used but not owned		100.00
Total	42,403.85	1,100,194.71

[1] See remarks under carrier, owned and used.

Classification	Costs supported by accounting records	Amounts not supported by accounting records
Lands classified as carrier—Continued.		
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of		$137,074.67
Lands classified as noncarrier:		
Owned (see remarks under carrier, owned and used, and partly carrier and partly noncarrier)	$1,076.50	6,930.45
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of	(1)	(1)
Lands classified as partly carrier and partly noncarrier:		
Owned and used (includes $6,200 not separable as to lands classified as noncarrier and partly carrier and partly noncarrier)		93,550.00
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of (see remarks under carrier, owned and used)		616.75
Owned but partly used by others		175.00
Rights in public domain classified as carrier, owned and used	160.00	
Rights in private lands classified as carrier, owned and used	300.00	
Miscellaneous attendant costs not assignable to groups	1,678.75	

[1] See remarks under carrier, owned and used.

Cost of machinery and equipment.—The Galveston, Harrisburg and San Antonio reports that it owns and uses 4,305 units of equipment, 432 roadway machines, and certain machinery, with costs aggregating $9,044,930. A verification of the returns indicates that the number of units of equipment should be reduced by 8, that the units of roadway machines should be increased by 1, and that the costs should be increased by $6,772, as detailed below:

Description	Units	Amount
Additions:		
Roadway machines, transferred from shop machinery	1	$236
Shop machinery, clerical error		14
Power-plant machinery, understatement of costs		107
Freight-train cars, clerical error		109,382
Passenger-train cars—		
Understatement of costs		1,845
Clerical error		100
Work equipment, transferred from steam locomotives	1	4,542
Total	2	116,226
Deductions:		
Roadway machines, overstatement of costs		16
Shop machinery—		
Clerical errors		2,253
Interest during construction		438
Transferred to roadway machines		236
Power plant machinery—		
Interest during construction		686
Overstatement of costs		1,295
Steam locomotives—		
Unserviceable condition	1	8,516
Returned but not inventoried	2	42,504
Transferred to work equipment	1	4,542
Overstatement of costs		2,519
Freight-train cars—		
Returned but not inventoried	4	2,974
Overstatement of costs		28,646
Passenger-train cars—		
Returned but not inventoried	1	6,061
Overstatement of costs		8,768
Total	9	109,454
Net total additions		6,772
Net total deductions	7	

After making the changes noted above and classifying the returns according to the classification herein of the property to which they apply, the revised returns are summarized as follows:

Classification	Units	Costs supported by accounting records	Amounts estimated by the Galveston, Harrisburg and San Antonio or otherwise not supported by accounting records
Machinery:			
Roadway machines	433	$17,380	$8,235
Shop machinery		211,657	209,705
Power-plant machinery		43,762	16,146
Total		272,799	234,086
Equipment:			
Steam locomotives	220	2,908,964	363,981
Freight-train cars	3,625	4,040,178	112,846
Passenger-train cars	114	742,324	84,747
Work equipment	337	259,070	32,557
Miscellaneous equipment	1		150
Total	4,297	7,950,536	594,281

In addition, the Galveston, Harrisburg and San Antonio uses under lease machinery and equipment belonging to other companies, as detailed below:

Classification	Units	Costs supported by accounting records	Amounts estimated by the owning company or otherwise not supported by accounting records
Southern Pacific Terminal Company, shop machinery		$240	$384
Southern Pacific Company:			
Steam locomotives	94	2,532,844	106,941
Extra tenders	25		
Freight-train cars	1,474	1,981,533	4,653
Passenger-train cars	102	1,069,883	6,034
Work equipment	1		16,398

In the above table 8 tank cars with estimated costs of $22,072 were excluded as not in service and 99 ballast cars, with supported costs of $117,492, were transferred from work equipment and included in freight-train cars.

MISCELLANEOUS PHYSICAL PROPERTY

The balance in the miscellaneous physical property account of the Galveston, Harrisburg and San Antonio, on date of valuation, was $270,107.77, consisting of the following:

Real estate and improvements in Galveston	$49,033.06
Real estate in Houston	9,690.15
Real estate in Cuero	3,168.75
Other real estate, various places	221.00

General hospital buildings and appurtenances, Houston	$177,428.54
Track material leased	30,566.27
Total	270,107.77

The considerations given in exchange for the above described property were not determined.

INVESTMENTS IN OTHER COMPANIES

The investments of the Galveston, Harrisburg and San Antonio in other companies, on date of valuation, are stated in its records at a total book value of $210,025.67.

A statement of the recorded investments, with par value and book value, follows:

Description	Par value	Book value
Stock, El Paso Union Depot Company	$14,800.00	$14,800.00
Bonds, United States Government First Liberty Loan	4,150.00	4,150.00
Notes, sundry persons	49,250.45	49,250.45
Advances		141,825.22
Total		210,025.67

The advances consisted of cash advanced as follows:

To Hospital Association Southern Pacific Lines	$19,452.25
To El Paso Union Depot Company	2,000.00
To employees in connection with the purchase of Liberty bonds for their account	120,372.97
	141,825.22

The considerations recorded as passed in connection with the acquisition of the stocks, bonds, and notes were cash.

AIDS, GIFTS, GRANTS, AND DONATIONS

The Galveston, Harrisburg and San Antonio reports the following aids, gifts, grants, and donations as having been received by itself or its predecessors:

Description	Expense of acquisition	Amount of donation
Land-grant lands, 2,450,570 acres donated to the Galveston, Harrisburg and San Antonio and its predecessors	$471,819.92	
Other lands, various parcels donated to the Galveston, Harrisburg and San Antonio and its predecessors by the State of Texas, various individuals, and corporations	29.95	
Cash, donated by various individuals, recipient:		
The New York, Texas and Mexican Railway Company		$39,090.00
Galveston, Harrisburg and San Antonio		1,454.80
Total		40,544.80
Construction, material donated by individuals, corporations, and municipalities to the Galveston, Harrisburg and San Antonio		2,473.75

Neither the cost to the donors of lands donated or granted nor their values at the time of acquisition was reported by the Galveston, Harrisburg and San Antonio.

Land grants.—Under various acts of the Legislature of Texas, the Galveston, Harrisburg and San Antonio and its predecessors received 2,450,570 acres of land as follows:

Carrier	Acres received
Galveston, Harrisburg and San Antonio	771,146
Gulf, Western Texas and Pacific Railway Company (of 1878)	298,944
Indianola Railroad Company	170,880
San Antonio and Mexican Gulf Railroad	263,680
Columbus Tap Railway Company	49,280
Buffalo Bayou, Brazos and Colorado Railway Company (of 1850)	896,640
Total	2,450,570

A portion of the above was disposed of showing net receipts as follows:

	Expenses and taxes	Consideration received	Net amount
Galveston, Harrisburg and San Antonio	$430,348.72	$268,575.39	($161,773.33)
Gulf, Western Texas and Pacific Railway Company (of 1878)	41,257.20	254,484.78	213,227.58
Indianola Railroad Company	12.00	32,418.00	32,406.00
San Antonio and Mexican Gulf Railroad	202.00	68,163.66	67,961.66
Columbus Tap Railway Company		2,000.00	2,000.00
Buffalo Bayou, Brazos and Colorado Railway Company (of 1850)		130,094.00	130,094.00
Total	471,819.92	755,735.83	283,915.91

"Expenses and taxes" as above, includes for taxes the following:

Galveston, Harrisburg and San Antonio	$60,091.71
Gulf, Western Texas and Pacific Railway Company (of 1878)	31,877.43
Total	91,969.14

The difference between the total acreage of land-grant lands received and sold is explained by the Galveston, Harrisburg and San Antonio as follows:

	Difference (acres)	
Gulf, Western Texas and Pacific Railway Company (of 1878), received from the San Antonio and Mexican Gulf Railroad	[1] 11,520	
Indianola Railroad Company, not explained	1,280	
San Antonio and Mexican Gulf Railroad:		
Transferred to the Gulf, Western Texas and Pacific Railway Company (of 1878)	[1] 12,800	
Not explained	8,320	
		21,120
Buffalo Bayou, Brazos and Colorado Railway Company (of 1850):		
Lost on account of being in conflict with other surveys	1,920	
Lost by reason of being short of the amount called for by patents	956	
Certificates not returned	13,440	
Certificates transferred in blank	201,284	
Not explained	26,880	
		244,480

[1] The difference between the lands reported transferred to and received by the San Antonio and Mexican Gulf Railroad has not been explained.

Other lands.—A verification of the land returns of the Galveston, Harrisburg and San Antonio discloses that four parcels reported as aids, but which were acquired for substantial considerations should not be reported as donations.

In addition to the land shown above as donated, the Galveston, Harrisburg and San Antonio reports that the Buffalo Bayou, Brazos and Colorado Railway Company (of 1870) received as a donation from William Alley an undivided one-half interest in 200 acres of land, less certain tracts named comprising the town of Alleyton, for which no records are obtainable as to the transaction.

Construction.—The following material was received by the Galveston, Harrisburg and San Antonio:

Donor	Description	Amount of donation
Western Union Telegraph Company	Telegraph poles	$3.75
City of Houston	1,400 cubic yards earth for Harrisburg branch	140.00
City of Houston	23,300 cubic yards of earth for pass tracks	2,330.00
Total		2,473.75

The Galveston, Harrisburg and San Antonio does not report, and the accounts do not separately record, the amount or value of any concession or allowance that may have been made in consideration of any grants by governmental bodies.

In addition to the foregoing, the following were found of record:

Recipient	Donor	Description	Amount
Galveston, Harrisburg and San Antonio.	Individuals	Cash	$17,409.01
	Individuals and companies	Construction of industry spurs.	13,304.72
	Counties and individuals	Construction of drainage ditches.	1,238.23
	Individuals, companies and counties.	Construction bonus	2,309.35
	United States Government	Construction subway—Eureka.	978.51
	Bexar County, Tex	County bonds, par value	300,000.00
Gulf, Western Texas and Pacific Railway Company (of 1878).	Indianola City and Land Co.	Capital stock of that company, par value.	19,100.00
San Antonio and Mexican Gulf Railroad.	Individuals	Cash	9,791.62
Total			364,131.44

The report of the Galveston, Harrisburg and San Antonio states that certain of its lands were acquired by it or its predecessors through deeds that recite merely nominal considerations, and certain lands for which no considerations are named in instruments. Since the records do not indicate that any actual payment was made in the acquisition of these lands, they have been herein designated as apparent aids.

MATERIAL AND SUPPLIES

The investment of the Galveston, Harrisburg and San Antonio in material and supplies, on December 31, 1917, was $2,390,908.48. This amount was taken over to the books of the United States Railroad Administration and was stated as a deferred asset on the books of the Galveston, Harrisburg and San Antonio on date of valuation.

The balance in the material and supplies account of the United States Railroad Administration on date of valuation was $2,760,313.64.

LEASED RAILWAY PROPERTY

The Galveston, Harrisburg and San Antonio uses on date of valuation facilities owned by other companies and other companies use facilities owned by the Galveston, Harrisburg and San Antonio to the extent indicated in the statement below.

The description of the property, the period and terms of use and the rentals accrued and charged or credited to income for the year ending December 31, 1917, are as follows:

	Rentals
Solely owned, but jointly used, used with—	
The Texas and Pacific Railway Company—	
Tracks, 90.38 miles, Sierra Blanca to El Paso. Rental based on 6 per cent of $10,000 per mile, plus 6 per cent on half cost of additions and betterments	$102, 232. 79
Tracks, 1.60 miles, at El Paso; $100 per month	578. 93
Gulf, Colorado and Santa Fe Railway Company, tracks, 32.08 miles, Rosenberg to Blodgett; $0. 75 per train-mile for each passenger train	23, 235. 87
The Texas and New Orleans Railroad Company, Houston & Texas Central Railroad Company, and The Houston East and West Texas Railway Company, tracks, 26.82 miles, at Houston; 5 per cent on valuation plus additions and betterments	40, 316. 98
Galveston Wharf Company, spur tracks at Galveston; $255 per annum	255. 00
Solely used, but not owned, owned by Galveston Terminal Railway Company, terminal facilities at Galveston, $9,000 per annum plus maintenance	9, 000. 00
Jointly used, but not owned, owned by—	
The Union Passenger Depot Company of Galveston, passenger station facilities and 0.57 mile of track at Galveston; one-sixth of 5 per cent on $558,329.90 plus cost of additions and betterments	10, 617. 73
Texas and New Orleans Railroad Company, tracks, 15.96 miles, at Galveston. Houston & Texas Central Railroad Company, tracks, 17.78 miles, at Galveston. The Houston East and West Texas Railway Company, tracks, 3 miles, at Houston. Terminal facilities at Houston jointly used by these companies; 5 per cent on valuation of passenger station and yard facilities, plus additions and betterments apportioned to all parties on basis of maintenance and operation. Freight facilities—rental same as above apportioned on basis of tonnage handled	159, 926. 34
Gulf, Colorado and Santa Fe Railway Company, freight station and facilities, at Rosenberg; two-thirds of operating expenses and $15 per month	324. 60
Southern Pacific Terminal Company, terminal facilities at Galveston; $4,369.75 per annum and 9 per cent on additions and betterments	8, 618. 22
El Paso Union Depot Company, passenger station and 0.17 mile of track at El Paso; one-sixth of principal of bonds and interest on first-mortgage bonds of lessor	2, 800. 00

Equipment leased.—The Galveston, Harrisburg and San Antonio uses 1,693 units of equipment which it leases from the Southern Pacific Company at a monthly rental based on one-half of 1 per cent of the cost of the equipment plus an amount to cover monthly depreciation based on a rate of 3 per cent per annum. The equipment consists of—

Locomotives	94
Extra tenders	25
Freight-train cars	1, 474
Passenger-train cars	99
Work equipment	1
Total	1, 693

Under the agreement the Galveston, Harrisburg and San Antonio is to pay for maintenance and taxes on the equipment and to pay for equipment destroyed.

GENERAL BALANCE SHEET STATEMENTS

The general balance sheet statement of the Galveston, Harrisburg and San Antonio, as of date of valuation, follows:

ASSETS

Investments:	
Investment in road and equipment	$75, 966, 630. 45
Sinking funds	5, 870, 900. 00
Miscellaneous physical property	270, 107. 77
Other investments—	
Stocks	14, 800. 00
Bonds	4, 150. 00
Notes	49, 250. 45
Advances	141, 825. 22
Total	82, 317, 663. 89
Current assets:	
Cash	39, 217. 27
Special deposits	165. 00
Loans and bills receivable	4, 855. 32
Traffic and car-service balances receivable	161, 785. 59
Miscellaneous accounts receivable	602, 252. 27
Material and supplies	10. 00
Interest and dividends receivable	55, 308. 66
Rents receivable	1, 629, 798. 06
Other current assets	9, 072. 24
Total	2, 502, 464. 41
Deferred assets:	
Working-fund advances	5, 827. 33
Other deferred assets	7, 994, 355. 57
Total	8, 000, 182. 90

Unadjusted debits:	
Rents and insurance premiums paid in advance	$13, 223. 09
Other unadjusted debits	940, 116. 88
Total	953, 339. 97
Grand total	93, 773, 651. 17

LIABILITIES

Stock, capital stock	27, 084, 400. 00
Long-term debt:	
Funded debt unmatured	32, 265, 000. 00
Nonnegotiable debt to affiliated companies, open accounts	17, 512, 383. 94
Total	49, 777, 383. 94
Current liabilities:	
Traffic and car-service balances payable	6, 381. 10
Audited accounts and wages payable	66, 237. 00
Miscellaneous accounts payable	1, 499. 91
Interest matured unpaid	6, 230. 00
Unmatured interest accrued	366, 971. 63
Other current liabilities	6, 235. 96
Total	453, 555. 60
Deferred liabilities, other deferred liabilities	7, 193, 002. 12
Unadjusted credits:	
Tax liability	436, 517. 77
Insurance and casualty reserves	*Dr. 8, 631. 83*
Accrued depreciation, equipment	3, 182, 739. 34
Other unadjusted credits	524, 796. 31
Total	4, 135, 421. 59
Total liabilities	88, 643, 763. 25
Corporate surplus:	
Additions to property through income and surplus	34, 602. 84
Sinking-fund reserves	6, 003, 193. 95
Profit and loss, debit balance	*907, 908. 87*
Total	5, 129, 887. 92
Grand total, after deducting deficit	93, 773, 651. 17

The general balance sheet statement of the United States Railroad Administration, as of date of valuation, covering operation of the property of the Galveston, Harrisburg and San Antonio, follows:

ASSETS

Investments, miscellaneous	$646, 069. 07
Current assets:	
Cash	2, 709, 119. 67
Traffic and car-service balances receivable	361, 622. 22
Net balance receivable from agents and conductors	877, 279. 47
Miscellaneous accounts receivable	2, 921, 485. 35
Material and supplies	2, 760, 313. 64
Other current assets	1, 847. 96
Total	9, 631, 668. 31
Deferred assets:	
Working fund advances	21, 181. 79
Other deferred assets	7, 195, 714. 56
Total	7, 216, 896. 35
Unadjusted debits:	
Rents and insurance premiums paid in advance	124. 77
Other unadjusted debits	1, 086, 303. 07
Total	1, 086, 427. 84
Grand total	18, 581, 061. 57

LIABILITIES

Long-term debt, nonnegotiable debt to affiliated companies, open accounts	3, 030, 338. 17
Current liabilities:	
Traffic and car-service balances payable	1, 033, 003. 95
Audited accounts and wages payable	1, 648, 532. 27
Miscellaneous accounts payable	1, 291, 872. 29
Other current liabilities	41, 433. 20
Total	4, 014, 841. 71
Deferred liabilities, other deferred liabilities	7, 868, 532. 42
Unadjusted credits:	
Tax liability	331, 259. 41
Insurance and casualty reserves	18, 267. 12
Operating reserves	71, 614. 65
Accrued depreciation, equipment	103, 481. 98
Other unadjusted credits	995, 276. 41
Total	1, 519, 899. 57
Corporate surplus, profit and loss credit balance	2, 147, 449. 70
Grand total	18, 581, 061. 57

Predecessor Companies

Buffalo Bayou, Brazos and Colorado Railway Company (of 1850)—Buffalo Bayou, Brazos and Colorado Railway Company (of 1870)—Predecessors of the Galveston, Harrisburg and San Antonio

INTRODUCTORY

The accounting records of the Buffalo Bayou, Brazos and Colorado Railway Company (of 1850) were not obtainable and no information can be given from the accounts in connection with the finances, investments, operations, or original cost. The records reviewed do not indicate that the company was controlled by any individual or corporation on January 24, 1870, the date of its demise, nor, on the other hand, that it controlled any common-carrier corporation. The records reviewed do not indicate that the property was operated by any other than its own organization.

The railroad operated by the Buffalo Bayou, Brazos and Colorado Railway Company (of 1850) was a single-track standard-gage, steam railroad, extending from Harrisburg to Columbus, Tex., 83.10 miles. The above property was acquired by construction and purchase. Between 1853 and 1860, the company acquired by construction 80 miles of road between Harrisburg and Alleyton, Tex. It also acquired from the Columbus Tap Railway Company 2.50 miles of road extending from Alleyton to a point on the east bank of the Colorado River near Columbus, Tex. Some time prior to 1870 the Colorado River was bridged and the road was extended into Columbus, which added 0.600 mile to the mileage.

Following a sale of the property on January 24, 1870, a new company bearing the same corporate name was organized January 26, 1870, for the purpose of taking over the property. The new company took over the operation of the road on January 26, 1870.

Columbus Tap Railway Company—Predecessor of the Buffalo Bayou, Brazos and Colorado Railway Company (of 1850)

The accounting records of this company were not obtained and no information can be given from the accounts in connection with the finances, operations, investments, or original cost. The records reviewed do not indicate that the company was controlled by any individual or corporation on September 21, 1866, the date of its demise, nor, on the other hand, that it controlled any common-carrier corporation. The road operated by the company on date of demise was a single-track, standard-gage, steam railroad extending from Alleyton, Tex., to a point on the east bank of the Colorado River opposite Columbus, Tex., 2.50 miles. The above mileage was acquired by construction during the period 1861–1865.

The New York, Texas and Mexican Railway Company—Predecessor of the Galveston, Harrisburg and San Antonio

INTRODUCTORY

On date of demise, August 8, 1905, this company was controlled by the Southern Pacific Company. On the other hand, it did not control any common-carrier corporation. From October 1, 1882, when the main line was completed, until June 1, 1884, the road was operated by Count Joseph Telfener, contractor. From the latter date to date of demise, the property was operated by its own organization.

The railroad operated by the company was a single-track, standard-gage, steam railroad, 176.72 miles in length, all in the State of Texas. Its main line

extended from Rosenberg, southwesterly to Victoria, 91 miles, with branch lines from Wharton to Hawkinsville, 48.12 miles, and from Bay City to Palacios, 37.60 miles.

On June 1, 1884, when the company took over its properties and began operations new books were opened but no balances were brought over from the earlier records. On September 1, 1885, about the time the Southern Pacific Company came into control of the property, new books were again opened and, as before, balances in prior books were disregarded.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The road owned by the company on date of demise had been acquired by construction during the period from September 1, 1881, to June 29, 1903, as detailed in the chapter devoted to development of fixed physical property in the report upon the Galveston, Harrisburg and San Antonio.

On June 16, 1881, the company through its agent in Europe entered into a contract with Count Joseph Telfener of Rome, Italy, contractor, under the terms of which Count Telfener was to construct and equip 350 miles of railroad for the New York, Texas and Mexican Railway Company, all to be completed by December 15, 1882.

Count Telfener, until May 1, 1881, had been president and director of the company and at the time of the making of the contract and, up until January, 1885, controlled it through stock ownership. From the records it appears that the line between Rosenberg and Victoria was the only part of the road constructed under the contract. That section was completed on October 1, 1882, and was operated by Count Telfener from that date until June 2, 1884. On July 23, 1884, the directors of the company annulled the construction contract for the stated reason that Count Telfener had failed to comply with its provisions.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records do not disclose that syndicating arrangements were made in connection with the issuance of securities. Funds when necessary for the construction of the branch lines and for additions and betterments were obtained principally from the sale of bonds and from advances of the Southern Pacific Company.

Capital stock and long-term debt.—From the date of its incorporation, November 17, 1880, to date of demise, the company issued capital stock and funded debt and incurred nonnegotiable debt to affiliated companies, as disclosed by its records, aggregating $4,486,905.92, all of which was outstanding on date of demise, as summarized in the following table:

Classification	Issued and outstanding
Capital stock	$630,040.00
Funded debt unmatured	2,360,000.00
Nonnegotiable debt	1,496,865.92
Total	4,486,905.92

Capital stock.—The authorized capital stock was $2,000,000 par value, divided into shares of $100 par value each. Of the amount authorized, the company recorded as issued a par value of $630,040. While it appears that the stock was issued in 1883 it was not booked until September 30, 1888, when the amount was charged to the investment in road and equipment account.

Funded debt.—First-mortgage 6 per cent bonds dated April 1, 1882, and maturing April 1, 1912, were authorized to the amount of $8,000,000. As at August 8, 1905, bonds of this issue of the par value of $1,518,000 were recorded as outstanding. While it appears that these bonds were issued in 1885, or prior, they were not booked until September 30, 1888, when the amount was charged to the investment in road and equipment account.

Matagorda Division first-mortgage 6 per cent gold bonds, dated January 1, 1904, and maturing January 1, 1934, were authorized to an amount not to exceed $20,000 per mile of completed road. Of the amount authorized bonds of the par value of $842,000 were sold at par for cash.

A statement of the funded debt actually outstanding on date of demise follows:

Title of security	Actually outstanding
Issued:	
First-mortgage 6 per cent bonds, dated Apr. 1, 1882, maturing Apr. 1, 1912	$1, 518, 000
Matagorda Division, first-mortgage, 6 per cent gold bonds, dated Jan. 1, 1904, maturing Jan. 1, 1934	842, 000
Total	2, 360, 000

Nonnegotiable debt to affiliated companies.—The New York, Texas and Mexican Railway Company, incurred nonnegotiable debt to the Southern Pacific Company aggregating $3,853,072.77 to August 8, 1905, classified as open accounts. Of this amount $3,485,829.52 had been repaid, leaving $367,243.25 owing on the date above stated. The considerations recorded as passed in connection with incurring and repayment of this debt were as detailed hereunder.

Amount	Consideration	Recorded value
	Open accounts	
Incurred		
$1, 696, 960. 22	Operating expenses and taxes paid by the Southern Pacific Company for The New York, Texas and Mexican Railway Company	$1, 696, 960. 22
1, 292, 402. 06	Interest on bonds of The New York, Texas and Mexican Railway Company, paid	1, 292, 402. 06
476, 133. 40	Interest on open account	476, 133. 40
379, 863. 33	Cash advances	379, 863. 33
7, 713. 76	Miscellaneous	7, 713. 76
3, 853, 072. 77	Total	3, 853, 072. 77
Repaid		
$1, 934, 948. 77	Revenues from The New York, Texas and Mexican Railway Company operations retained	1, 934, 948. 77
1, 016, 150. 59	Cash	1, 016, 150. 59
461, 850. 32	Traffic balances due from Southern Pacific Company	461, 850. 32
72, 879. 84	Miscellaneous	72, 879. 84
3, 485, 829. 52	Total	3, 485, 829. 52
Owing		
$367, 243. 25		

Open accounts were also maintained with other affiliated companies containing an accumulation of items of a general operating character. A summary of the balances due such companies at August 8, 1905, follows:

Louisiana Western Railroad Company	$8, 171. 29
Texas & New Orleans Railroad Company	715, 643. 98
Galveston, Harrisburg and San Antonio	405, 807. 40
	1, 129, 622. 67

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations can not be continuously stated, as balances in the earlier records were not transferred to the books closing August 8, 1905.

Income statement.—A condensed summary of the income accounts for the period September 1, 1885, to July 31, 1905, follows:

Operating income:	
Railway operating revenues	$5, 681, 588. 40
Railway operating expenses	4, 145, 945. 24
Net revenue from railway operations	1, 535, 643. 16
Railway tax accruals	173, 125. 15
Railway operating income	1, 362, 518. 01
Total operating income	1, 362, 518. 01
Nonoperating income:	
Hire of equipment	108, 208. 48
Miscellaneous rent income	121. 25
Miscellaneous income	25, 935. 84
Total nonoperating income	134, 265. 57
Gross income	1, 496, 783. 58
Deductions from gross income:	
Hire of equipment	11, 554. 01
Miscellaneous rents	483. 54
Interest on funded debt	1, 991, 674. 39
Expended for property	116, 179. 95
Miscellaneous income charges	4, 166. 86
Total deduction from gross income	2, 124, 058. 75
Net deficit	627, 275. 17
Income debit balance transferred to profit and loss	627, 275. 17

Profit and loss statement.—A condensed summary of the profit and loss accounts for the period September 1, 1885, to July 31, 1905, follows:

Credits, miscellaneous credits, amount received as bonus from Wells Fargo & Company (contract of Oct. 9, 1883)	$21, 381. 98
Total	21, 381. 98
Debits:	
Net debit balance transferred from income	627, 275. 17
Miscellaneous debits, adjustments or cancellations of balance sheet accounts	2, 372. 04
Total	629, 647. 21
Debit balance on date of July 31, 1905	608, 265. 23

INVESTMENT IN ROAD AND EQUIPMENT

The investment in road and equipment of The New York, Texas and Mexican Railway Company, including land, on date of demise, was stated in its books as $3,726,249.02, of which the following is a general analysis:

Construction and additions and betterments:		
Amount set up Sept. 30, 1888, against amounts concurrently recorded as liabilities then outstanding—		
Capital stock	$630,040.00	
First-mortgage bonds	1,518,000.00	
		2,148,040.00
Recorded money outlay		1,579,999.22
Total		3,728,039.22
Other items, not in accord with the present classification of accounts, bonus received in connection with construction of branch line		1,790.20
Net investment in road and equipment account		3,726,249.02

In addition to the $1,579,999.22 recorded money outlay charged to the investment in road and equipment account, the records indicate that expenditures by the contractor aggregated $1,664,532.53.

GULF, WESTERN TEXAS AND PACIFIC RAILWAY COMPANY (OF 1878).—PREDECESSOR OF THE GALVESTON, HARRISBURG AND SAN ANTONIO

INTRODUCTORY

The records reviewed do not indicate that on date of demise, August 8, 1905, this company was controlled by any individual or corporation, nor, on the other hand, that it controlled any common-carrier corporation.

During the period September 15, 1885, to June 30, 1889, the property was operated by the Southern Pacific Company as a part of the property of the Morgan's Louisiana and Texas Railroad and Steamship Company under the terms of the so-called Omnibus Lease, dated February 10, 1885. It is not now possible to separate the results of corporate operations as of the date the Gulf, Western Texas and Pacific Railway Company (of 1878) began operations, April 26, 1878.

The railroad operated by the company was a single-track, standard-gage, steam railroad 111.60 miles in length, all in the State of Texas. Its main line extended from Port Lavaca to Cuero, 56 miles, with a branch line extending from Victoria southwesterly to Beeville, 55.60 miles.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The property of the Gulf, Western Texas and Pacific Railway Company (of 1878) had been acquired by purchase and construction. It purchased on April 26, 1878, from Charles Morgan the property formerly owned by the Gulf, Western Texas and Pacific Railway Company (of 1871), extending from Port Lavaca to Lavaca Junction, Tex., 71 miles. During the period October, 1888, to September, 1889, it acquired 55.60 miles of road between Victoria and Beeville, Tex. During the year 1887, 15 miles of road between Indianola and Port Lavaca, Tex., were abandoned.

The records do not show by whom the construction work was performed. Although the section of road constructed was completed and in operation by

September 10, 1889, no outlay for construction was recorded until November, 1891, when first-mortgage bonds of the Gulf, Western Texas and Pacific Railway Company (of 1871) were issued. Of the amount of bonds recorded as issued at this time, the larger part was charged to the investment in road and equipment account as having been issued on account of construction between Victoria and Beeville and the remainder was charged to open account with the Southern Pacific Company.

The records do not show to whom the bonds which were charged to investment in road and equipment account were issued.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records do not disclose that any syndicating arrangements were made in connection with the issuance of stock securities.

Capital stock and long-term debt.—From the date of its incorporation, April 8, 1878, to date of demise, the company issued capital stock and funded debt and incurred nonnegotiable debt to affiliated companies, as disclosed by its records, aggregating $4,344,706.03, all of which was outstanding on date of demise, as summarized in the following table:

Classification	Issued and outstanding
Capital stock	$500,000.00
Funded debt, unmatured	2,224,000.00
Nonnegotiable debt to affiliated companies	1,620,706.03
	4,344,706.03

Capital stock.—The authorized capital stock was $500,000 par value, divided into shares of $100 each. Of this amount, $496,500 par value was issued to Charles Morgan for the property formerly owned by the Gulf, Western Texas and Pacific Railway Company (of 1871) and the remainder, $3,500 par value, was issued to directors and charged to investment in road and equipment account.

Funded debt.—First-mortgage 5 per cent bonds, dated December 1, 1891, and maturing December 1, 1941, were authorized in the amount of $10,000,000. Of this amount, authorized bonds to the par value of $2,224,000 were issued for considerations as follows:

Par value	Consideration	Recorded value
Issued $1,453,000.00	Charged to investment in road and equipment account	$1,274,816.01
	Part settlement of current open account with the Southern Pacific Company	178,183.99
771,000.00	Sold to the Southern Pacific Company at 60 and charged to that company in open account (discount $308,400)	462,600.00
2,224,000.00	Total	1,915,600.00
Outstanding $2,224,000.00		

The difference between the par value of funded debt issued by the Gulf, Western Texas and Pacific Railway Company (of 1878) and the considerations recorded as received in exchange therefor, being discounts aggregating $308,400, was charged to the investment in road and equipment account.

Nonnegotiable debt to affiliated companies.—An open account with the Morgan's Louisiana and Texas Railroad and Steamship Company reflected a credit balance at August 8, 1905, of $1,620,706.03, representing the net transactions not subject to current settlement.

RESULTS OF CORPORATE OPERATIONS

Charles Morgan installed a set of accounting records beginning April 3, 1877, the date he acquired the property of the Gulf, Western Texas and Pacific Railway Company (of 1871). These records were condensed by the Gulf, Western Texas and Pacific Railway Company (of 1878) and it is not possible to separate the results of operations as of the date the latter began, namely, April 26, 1878. During the period from September 15, 1885, to June 30, 1889, the property of the Gulf, Western Texas and Pacific Railway Company (of 1878) was operated by the Southern Pacific Company as a part of the property of the Morgan's Louisiana and Texas Railroad and Steamship Company under the terms of the so-called Omnibus Lease, dated February 10, 1885. There is no record, however, of any consideration having been received by the Gulf, Western Texas and Pacific Railway Company (of 1878) for the use of its property during that period.

Income statement.—A condensed summary of the income accounts for the period April 3, 1877, to August 8, 1905, including delayed items to June 30, 1906, follows:

Operating income:	
Railway operating revenues	$2, 905, 678. 12
Railway operating expenses	3, 273, 755. 42
Net deficit from railway operations	368, 077. 30
Railway tax accruals	138, 370. 44
Railway operating deficit	506, 447. 74
Total operating deficit	506, 447. 74
Nonoperating income:	
Hire of equipment	65, 359. 69
Miscellaneous rent income	30, 565. 74
Dividend income	4, 880. 17
Income from unfunded securities and accounts	73, 667. 21
Miscellaneous income	90. 90
Total nonoperating income	174, 563. 71
Gross deficit	331, 884. 03
Deductions from gross income:	
Hire of equipment	2, 056. 35
Interest on funded debt	1, 480, 362. 24
Interest on unfunded debt	393, 311. 21
Expended for property	25, 361. 85
Miscellaneous income charges	922. 97
Total deductions from gross income	1, 902, 014. 62
Net deficit	2, 233, 898. 65
Income debit balance transferred to profit and loss	2, 233, 898. 65

Profit and loss statement.—A condensed summary of the profit and loss accounts for the period April 3, 1877, to August 8, 1905, follows.

Credits:		
Donations—		
State land, estimated value		$188, 255. 71
Other lands, estimated value		23, 341. 00
Town lots in Cuero and Thomaston		3, 359. 60
Capital stock of Indianola City and Land Company, par value		19, 100. 00
Miscellaneous credits—		
Land sold, no detail		4, 876. 19
Profit from sale of securities owned		7, 705. 38
Other miscellaneous		18, 775. 11
Total		265, 412. 99
Debits:		
Net debit balance transferred from income		2, 233, 898. 65
Dividend appropriations of surplus		120, 000. 00
Miscellaneous debits—		
Surveys abandoned	$2, 883. 67	
Uncollectible account	18. 72	
		2, 902. 39
Total		2, 356, 801. 04
Debit balance on June 30, 1906		2, 091, 388. 05

INVESTMENT IN ROAD AND EQUIPMENT

The investment in road and equipment of the Gulf, Western Texas and Pacific Railway Company (of 1878), including land, on date of demise, was stated in its books as $2,204,561.85, of which the following is a general analysis:

Property purchased (property of the Gulf, Western Texas and Pacific Railway Company (of 1871), outlay in securities at par, capital stock		$496, 500. 00
Construction, outlay in securities at par, first-mortgage bonds		1, 274, 816. 01
Additions and betterments, recorded money outlay		190, 576. 18
		1, 961, 892. 19
Retirements, track and equipment retired and credited at		69, 230. 34
		1, 892, 661. 85
Other items:		
Unpaid subscriptions to capital stock	$3, 500. 00	
Discount on bonds	308, 400. 00	
		311, 900. 00
Total on Aug. 8, 1905		2, 204, 561. 85

Gulf, Western Texas and Pacific Railway Company (of 1871)—Predecessor of the Gulf, Western Texas and Pacific Railway Company (of 1878)

The accounting records of this company were not obtainable and therefore no information can be given from the accounts in connection with the finances, operations, investments, or original cost. The records reviewed do not indicate that on date of demise the company was controlled by any individual or corporation, or, on the other hand, that it controlled any common-carrier corporation. The records reviewed do not indicate that the property was operated by any organization other than its own.

The railroad operated by the company consisted of 71 miles of standard-gage, steam railroad, extending from Port Lavaca to Cuero, Tex., 56 miles, with a branch line from Indianola to Lavaca Junction, Tex., 15 miles. The above mileage was acquired by consolidation and construction. It acquired 43 miles by consolidation as follows:

Road	From—	To—	Mileage
San Antonio and Mexican Gulf Railroad Company	Port Lavaca	Victoria, Tex	28
Indianola Railroad Company	Indianola	Lavaca Junction, Tex	15

Between the years 1871 and 1873 it acquired by construction 28 miles of standard-gage railroad extending from Victoria to Cuero, Tex.

Following the sale of the property on April 3, 1877, under decree of court, Charles Morgan and his associates organized a new company, also named the Gulf, Western Texas and Pacific Railway Company (of 1878) for the purpose of taking over the property.

San Antonio and Mexican Gulf Railroad Company—Predecessor of the Gulf, Western Texas and Pacific Railway Company (of 1871)

The accounting records of the company were not obtainable and no information can be given from the accounts in connection with the finances, operations, investments, or original cost. The records reviewed do not indicate that on date of demise, April 22, 1871, the San Antonio and Mexican Gulf Railroad was controlled by any individual or corporation, or, on the other hand, that it controlled any common-carrier corporation. The records reviewed do not indicate that the property was operated by any other than its own organization. The railroad operated by the company on date of demise consisted of 28 miles of 5.5-foot gage railroad, extending from Port Lavaca on Matagorda Bay, northwesterly to Victoria, Tex. All of the above mileage had been acquired by construction during the period 1856 to 1861.

Indianola Railroad Company—Predecessor of the Gulf, Western Texas and Pacific Railway Company (of 1871)

The accounting records of the company were not obtainable and no information can be given from the accounts in connection with the finances, operations, investments, or original cost. The records reviewed do not indicate that on date of demise the Indianola Railroad Company was controlled by any individual or corporation, or, on the other hand, that it controlled any common-carrier corporation. The records reviewed do not indicate that the property was operated by any other than its own organization. The railroad operated by the Indianola Railroad Company on date of demise was a single-track, standard-gage, steam railroad, extending from Indianola northwesterly to Lavaca Junction,

now known as Clarks, Tex., 15 miles. All of this mileage had been acquired by construction during the period 1859 to 1860.

San Antonio & Gulf Railroad—Predecessor of the Galveston, Harrisburg and San Antonio

INTRODUCTORY

The records reviewed do not indicate that the San Antonio & Gulf Railroad was controlled by any individual or corporation on August 9, 1905, the date of its demise, or, on the other hand, that it controlled any common-carrier corporation. The property was operated by its own organization during its entire life. The railroad operated by the San Antonio & Gulf Railroad on date of demise was a single-track, standard-gage railroad, extending from San Antonio to Stockdale, Tex., 36.93 miles.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The property of the San Antonio & Gulf Railroad was acquired by purchase and construction. It acquired 28.40 miles of road from Oscar Bergstrom on May 29, 1897. The remaining 8.53 miles were acquired by construction. The construction date and the date the mileages were placed in operation are not known. The construction work was done by the company's forces, with the exception of grading, which was done under contract.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The funds necessary for the construction of the property were obtained from George Dullnig and the estate of John Ireland and from a group composed of stockholders of the company, headed by one George W. Brackenbridge. No information is given in the books as to the promotion or activities of this group. They are grouped under the title "Syndicate," by which name they are hereinafter called.

Capital stock and long-term debt.—From the date of its incorporation, March 31, 1897, to date of demise, the San Antonio & Gulf Railroad issued capital stock and incurred nonnegotiable debt to affiliated companies or individuals, as disclosed by its records, aggregating $190,269.16, of which $158,269.16 was outstanding on date of demise, consisting of:

Capital stock	$32,000.00
Nonnegotiable debt	126,269.16
Total	158,269.16

Capital stock.—The authorized capital stock was $1,000,000 par value, divided into shares of $100 par value each. Of this amount $32,000 par value was issued to the syndicate in part settlement of open account.

Nonnegotiable debt to affiliated companies.—An open account with the syndicate, to which the accounts with George Dullnig and with the estate of John Ireland had been transferred, reflected a credit balance on August 9, 1905, of $126,269.16, made up as follows:

Credits:	
Cash advanced	$140,221.94
Construction material purchased	13,825.00
Notes of San Antonio & Gulf Railroad paid	4,222.22
Total	158,269.16

Debits, capital stock, par value	$32,000.00
Owing at Aug. 9, 1905	126,269.16

Short-term notes.—The San Antonio & Gulf Railroad issued short-term notes of $15,972 par value to August 9, 1905, all of which had been retired. The considerations recorded as passed in connection with the issuances of these notes are detailed in the statement following:

Par value	Consideration	Recorded value
Issued		
$4,522.22	Cash	$4,522.22
6,000.00	Property purchased (part payment)	6,000.00
5,450.00	Construction	5,450.00
15,972.22	Total	15,972.22
Reacquired and retired		
$11,750.00	Cash	11,750.00
4,222.22	Transferred to open account of George Dulinig	4,222.22
15,972.22	Total	15,972.22

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations were recorded by the San Antonio & Gulf Railroad for the period December 16, 1896, to August 9, 1905, and are stated below. The former property of the San Antonio and Gulf Shore Railway Company, acquired May 29, 1897, from Oscar Bergstrom, had been operated by him from December 16, 1896, to that date. His operations were treated as being those of the San Antonio & Gulf Railroad and no separation of results was maintained.

Operating income:	Period
Railway operating revenues	$407,915.26
Railway operating expenses	275,643.55
Net revenue from railway operations	132,271.71
Railway tax accruals	21,738.87
Total operating income	110,532.84
Nonoperating income:	
Hire of equipment	4,985.55
Joint-facility rent income	433.50
Miscellaneous rent income	1,031.05
Income from unfunded securities and accounts	3,184.70
Miscellaneous income	9,977.11
Total nonoperating income	19,611.91
Gross income	130,144.75

Deductions from gross income:	Period
Hire of equipment	$774.35
Joint-facility rents	2,086.22
Interest on unfunded debt	1,362.86
Expended for property	44,219.78
Miscellaneous income charges	8,446.82
Total deductions from gross income	56,890.03
Net income	73,254.72
Income credit balance transferred to profit and loss	73,254.72

Profit and loss statement.—A condensed summary of the profit and loss accounts at date of demise follows.

Credits:	
Net credit balance transferred from income	$73,254.72
Miscellaneous credits—	
Expenditures for property made during the period July 1, 1899, to June 30, 1902, charged to income, transferred to investment in road and equipment account (part of $44,219.73)	20,941.43
Miscellaneous	707.98
Total	94,904.13
Debits, miscellaneous debits, miscellaneous	4,279.04
Total	4,279.04
Credit balance on Aug. 9, 1905	90,625.09

INVESTMENT IN ROAD AND EQUIPMENT

The investment in road and equipment of the San Antonio & Gulf Railroad including land, on date of demise, was stated in its books as $220,096.19, of which the following is a general analysis.

Property purchased, (property of the San Antonio & Gulf Shore Railway):		
Recorded money outlay	$144,000.00	
Short-term notes, subsequently settled by cash	6,000.00	
		$150,000.00
Construction and additions and betterments, road and equipment:		
Recorded money outlay	50,821.19	
Nonnegotiable debt	13,825.00	
Short-term notes, subsequently settled by cash	5,450.00	
		70,096.19
Net investment in road and equipment		220,096.19

San Antonio and Gulf Shore Railway Company—Predecessor of the San Antonio & Gulf Railroad

The accounting records of the company were not obtainable, and no information can be given from the accounts in connection with the finances, corporations, investments, or original cost. The records reviewed do not indicate that the San Antonio and Gulf Shore Railway Company, on date of demise, July 7, 1896, was controlled by any individual or corporation, or, on the other hand, that it controlled any common-carrier corporation. The property was operated from December 16, 1896, until the date of demise by Oscar Bergstrom. The railroad operated by the San Antonio and Gulf Shore Railway Company was a single-track, standard-gage railroad, extending from San Antonio southeasterly to Cibolo, Tex., 28.40 miles. All of this mileage had been acquired by construction during the period from 1894 to 1895. The property was purchased by the San Antonio & Gulf Railroad on May 29, 1897. The latter company paid $150,000 for the property, $144,000 being in cash and $6,000 in short-term notes.

The Galveston, Houston & Northern Railway Company—Predecessor of the Galveston, Harrisburg and San Antonio

INTRODUCTORY

The records reviewed do not indicate that on date of demise, September 28, 1905, The Galveston, Houston & Northern Railway Company was controlled by any individual or corporation, or on the other hand, that it controlled any common-carrier corporation. The company was operated by its own organization during its entire life.

The railroad operated by The Galveston, Houston & Northern Railway Company consisted of 54.13 miles of single-track, standard-gage railroad, all in the State of Texas. Its main line extended from Magers, about 4 miles east of Houston, southeasterly to Virginia Point, 46.25 miles, and from Island Station on Galveston Island to Galveston, 4.29 miles. Its branch line extended from a point on the main line near Strang to Sylvan, 3.59 miles.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The road acquired by The Galveston, Houston & Northern Railway Company had been acquired by purchase on April 27, 1899, a total of 56.19 miles. The bridge and approaches spanning Galveston Bay from Virginia Point to Island Station on Galveston Island were destroyed by a hurricane, making a total retirement of 2.06 miles, leaving a total road mileage owned on September 28, 1905, of 54.13 miles.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records do not disclose that any syndicating arrangements were made in connection with the issuance of securities.

Capital stock and long-term debt.—From the date of its incorporation, March 30, 1899, to date of demise, The Galveston, Houston & Northern Railway Company issued capital stock and funded debt and incurred nonnegotiable debt to affiliated companies, as disclosed by its records, aggregating $1,595,783.29, all of which was outstanding on date of demise as follows:

Classification	Issued and outstanding
Capital stock	$200,000.00
Funded debt unmatured	900,000.00
Nonnegotiable debt to affiliated companies	495,783.29
Total	1,595,783.29

Capital stock.—The authorized capital stock was $500,000 par value, divided into shares of $100 par value each. Of the amount authorized, $200,000 par value was issued—$1,000 for cash and $199,000 in part payment of property purchased.

Funded debt.—First-mortgage 5 per cent bonds dated January 1, 1900, and maturing January 1, 1930, were authorized to the amount of $800,000 and the entire amount authorized was issued to Charles S. Broadhead in part payment for property purchased. None of these bonds had been retired on date of demise.

Long-term notes.—Twenty long-term notes aggregating $100,000 were issued in payment for real estate purchased at Galveston, all of which were outstanding at date of demise.

Nonnegotiable debt to affiliated companies.—The company incurred nonnegotiable debt to the Galveston, Harrisburg and San Antonio aggregating $495,783.59 to date of demise, classified as open account, none of which had been repaid. The amount represented cash donations to The Galveston, Houston & Northern Railway Company and current account transactions not subject to current settlement between the respective companies.

Short-term notes.—The company issued short-term notes of $50,798.43 par value to date of demise, all of which had been retired. The considerations recorded as passed in connection with the issuance of these notes and the reacquirements thereof are detailed in the statement following:

Par value	Consideration	Recorded value
Issued		
$42,000.00	Cash	$42,000.00
8,213.70	Equipment	8,213.70
584.73	Interest	584.73
50,798.43	Total	50,798.43
Reacquired and retired		
$8,798.43	Cash	8,798.43
42,000.00	Canceled (consideration unknown).	
50,798.43	Total.	

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts, are given below.

Income statement.—A condensed summary of the income accounts for the period May 1, 1899, to date of demise, follows:

Operating income:	Period
Railway operating revenues	$5,000,592.36
Railway operating expenses	4,224,849.41
Net revenue from railway operations	775,742.95
Railway tax accruals	52,358.93
Total operating income	723,384.02

Nonoperating income:		
Hire of equipment		$1, 332. 04
Income from unfunded securities and accounts		149. 81
Total nonoperating income		1, 481. 85
Gross income		724, 865. 87
Deductions from gross income:		
Hire of equipment		2, 210. 00
Joint-facility rents		7, 894. 89
Miscellaneous tax accruals		4, 179. 12
Interest on funded debt		317, 226. 62
Interest on unfunded debt		28, 697. 80
Expended for property		215, 863. 56
Miscellaneous income charges		2, 988. 23
Total deductions from gross income		579, 060. 22
Net income		145, 805. 65
Disposition of net income, income credit balance transferred to profit and loss		145, 805. 65

Profit and loss statement.—A condensed summary of the profit and loss accounts for the period May 1, 1899, to date of demise, follows:

Credits:		
Net credit balance transferred from income		$145, 805. 65
Miscellaneous credits—		
Amount received from Wells Fargo & Company as bonus under contract of Oct. 9, 1893		11, 433. 03
Expenditures for property, made during the period July 1, 1899, to June 30, 1901, charged to income, transferred to investment in road and equipment account (part of $215,863.56)		92, 306. 43
Notes canceled (no details)		42, 000. 00
Other miscellaneous		9, 999. 73
Total		301, 544. 84
Debits:		
Miscellaneous debits		1, 056. 99
Total		1, 056. 99
Credit balance on Sept. 28, 1905		300, 487. 85

INVESTMENT IN ROAD AND EQUIPMENT

The investment of The Galveston, Houston & Northern Railway Company in road and equipment, including land, on date of demise, was stated in its books as $1,451,281.29, of which the following is a general analysis:

Property purchased (Galveston, La Porte and Houston Railway Company), outlay in securities at par:		
Capital stock	$199, 000. 00	
First-mortgage bonds	800, 000. 00	
		$999, 000. 00

Additions and betterments, road and equipment:		
Recorded money outlay		$434, 252. 40
Outlay in securities at par—		
Long-term notes	$100, 000. 00	
Short-term notes subsequently settled by cash	8, 213. 70	
		108, 213. 70
		1, 541, 466. 10
Retirements, track and structures retired and credited at		92, 598. 26
		1, 448, 867. 84
Other items not in accord with the present accounting rules of the commission, interest on notes issued		2, 413. 45
Net investment in road and equipment		1, 451, 281. 29

LA PORTE, HOUSTON AND NORTHERN RAILROAD COMPANY—GALVESTON, LA PORTE AND HOUSTON RAILWAY COMPANY—PREDECESSORS OF THE GALVESTON, HOUSTON & NORTHERN RAILWAY COMPANY

The accounting records of this company were not obtainable and no information can be given from the accounts in connection with the finances, operations, investments, or original cost. The records reviewed do not indicate that the Galveston, La Porte and Houston Railway Company was controlled on date of demise by any individual or corporation, nor, on the other hand, that it controlled any common-carrier corporation. The records reviewed do not indicate that the property was operated by any other than its own organization.

The road operated by the company on date of demise consisted of 56.19 miles of single-track, standard-gage road, all in the State of Texas. The property was acquired by purchase and construction. The railroad purchased consisted of a standard-gage line extending from North Galveston to Virginia Point, Tex., 15.69 miles. Between 1894 and 1898, the company acquired by construction 44.11 miles of standard-gage road, as follows:

From—	To—	Mileage
Brady Junction	Strang	16. 48
Strang	Sylvan	3. 59
Strang	North Galveston Junction	16. 48
Virginia Point	Island Station	2. 06
Island Station	Galveston (twenty-ninth and post-office stations)	4. 29
Houston (Magers)	Brady Junction	1. 21
	Total	44. 11

The line between North Galveston Junction and North Galveston, 3.61 miles, a part of the road purchased from the North Galveston, Houston and Kansas City Railroad Company was abandoned in 1896.

On May 1, 1899, following the sale under foreclosure proceedings on October 28, 1899, the property was taken over by The Galveston, Houston & Northern Railway Company for operation.

NORTH GALVESTON, HOUSTON AND KANSAS CITY RAILROAD COMPANY (OF 1894)—PREDECESSOR OF THE GALVESTON, LA PORTE AND HOUSTON RAILWAY COMPANY

The accounting records were not obtainable and no information can be given from the accounts in connection with the finances, operations, investments, or original cost. The records reviewed do not indicate that the company was controlled on date of demise by any individual or corporation, or, on the other hand, that it controlled any common-carrier corporation. The records reviewed do not indicate that the property was operated by any other than its own organization. The railroad operated by the company on date of demise consisted of a standard-gage line, extending from North Galveston to Virginia Point, Tex., 15.69 miles. The property was acquired by purchase on May 18, 1894.

NORTH GALVESTON, HOUSTON AND KANSAS CITY RAILROAD COMPANY (OF 1892)—PREDECESSOR OF THE NORTH GALVESTON, HOUSTON AND KANSAS CITY RAILROAD COMPANY (OF 1894)

The accounting records were not obtainable and no information can be given from the accounts in connection with the finances, operations, investments, or original cost. The records reviewed do not indicate that on date of demise the company was controlled by any individual or corporation, or on the other hand, that it controlled any common-carrier corporation. The records reviewed do not indicate that the property was operated by any other than its own organization. The road operated by the company on date of demise consisted of a standard-gage railroad extending from North Galveston to Virginia Point, Tex., 15.69 miles. All of the above property had been acquired by construction during the year 1892.

GONZALES BRANCH RAILROAD COMPANY—PREDECESSOR OF THE GALVESTON, HARRISBURG AND SAN ANTONIO

The accounting records were not obtainable and no information can be given from the accounts in connection with the finances, investments, operations, or original cost. The records reviewed do not indicate that on date of demise the company was controlled by any individual or corporation, nor, on the other hand, that it controlled any common-carrier corporation. From the date of its completion the road was operated as a part of the Galveston, Harrisburg and San Antonio. The road owned on date of demise consisted of a standard-gage railroad, extending from Harwood southeasterly to Gonzales, Tex., 12.10 miles. The property was constructed by the forces of the Galveston, Harrisburg and San Antonio, which company made all payments and charged the Gonzales Branch Railroad Company in open account. Construction began in December, 1881, and upon completion in August, 1882, the road went into operation as a part of the Galveston, Harrisburg and San Antonio system. No separate account of revenues and expenses was kept and there is no record of a lease being executed.

SECTION 2

Valuation Docket No. 701

Iberia and Vermilion Railroad Company

Location and general description of property.—The railroad of the Iberia and Vermilion Railroad Company, hereinafter called the

Iberia and Vermilion, is a single track, standard-gage, steam railroad, located in the southern part of Louisiana. The line forms a part of the Atlantic System of the Southern Pacific Company. The owned mileage extends in an easterly direction from Abbeville to Iberia and Vermilion Junction, near Davids, a distance of 16.089 miles. The Iberia and Vermilion also owns and uses 6.102 miles of yard tracks and sidings. Its road thus embraces 22.191 miles of all tracks.

Capital stock and long-term debt.—The Iberia and Vermilion had outstanding, on date of valuation, a total par value of $622,000 in stock and long-term debt, of which $300,000 represented common stock and $322,000 funded debt.

Results of corporate operations.—For the period from November 27, 1892, to December 31, 1917, the aggregate railway operating expenses have been 59.1 per cent of the railway operating revenues, and for the period of 10.5 years preceding December 31, 1917, 65.1 per cent. The ratios and the net railway operating income or deficit for the years ended on June 30, from 1909 to 1916, for the six months ended December 31, 1916, and for the year ended December 31, 1917, are given in the table below.

Year	Ratio	Income	Year	Ratio	Income
1909	62.8	$14,120.64	1914	78.0	$3,708.75
1910	61.4	19,290.00	1915	72.4	10,012.82
1911	53.3	29,717.75	1916	93.7	[2] 2,000.86
1912	51.1	31,189.92	1916 [1]	46.2	28,489.66
1913	75.7	7,073.36	1917	57.1	34,086.03

[1] 6 months. [2] Deficit.

The operations of the United States Railroad Administration for the first six months of 1918 resulted in an operating ratio of 91.3 and an income of $167.34.

A cash dividend at the rate of 50 per cent, amounting to $150,000, was declared by the Iberia and Vermilion in the year 1912. No other dividends have been paid.

Original cost to date.—The original cost to date of the common-carrier property of the Iberia and Vermilion can not be ascertained, as the necessary records are not obtainable. Such information respecting actual expenditures as can be ascertained is stated in Appendix 2.

Investment in road and equipment.—The investment of the Iberia and Vermilion in road and equipment, including land, on date of valuation, is stated in its books as $657,908.84. With readjustments required by our accounting examinations this amount would be increased to $692,013.59, of which $620,900, less an undetermined, portion thereof assignable to an offsetting item included in amounts

recorded at $524.24, represents the par value of capital stock and funded debt issued, the money value of which at the time of the transaction we are not able to report, because it has been impossible to obtain the necessary information. Further information will be found in Appendix 2.

Cost of reproduction new and cost of reproduction less depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, owned and used by the Iberia and Vermilion, are $313,586 and $237,288, respectively. These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are shown in the summary sheet in Appendix 1.

Cost of lands, rights of way, and terminals at time of dedication to public use, and their present value.—The Iberia and Vermilion owns and uses for common-carrier purposes 209.72 acres of lands. The original cost of these lands, as supported by the accounting records, is $823.50. Other data on their original cost will be found in Appendix 2. The area and present values of carrier lands owned or used are found to be:

Classification	Acres	Present value
Wholly owned and used	209.72	$47,418
Used but not owned, leased from private parties	1.10	385
Total owned	209.72	47,418
Total used	210.82	47,803

Property held for purposes other than those of a common carrier.—The Iberia and Vermilion owns securities of other companies held for noncarrier purposes. Their par value is $39,857.58, and their book value, stated by the carrier as its net investment in securities of other companies, is $39,857.58. These securities, with their par and book values on date of valuation, are listed in Appendix 2.

Aids, gifts, grants of rights of way, and donations.—Of the lands owned by the Iberia and Vermilion and included in the preceding summary of lands owned and used for common-carrier purposes, 145.61 acres, with a present value of $11,421, were acquired through aids. A portion of these lands was donated by individuals, and the remainder acquired through deeds reciting merely nominal considerations. We are not able to report the value of these lands at the time acquired.

In addition to the lands shown above, the Iberia and Vermilion received other aids as follows:

Donor	Description	Amount
Individuals and municipalities	Cash	$44,360.89
Town of Abbeville	Subsidy tax voted	1,500.00
Total		45,860.89

Further information on this subject will be found in Appendix 2.

Material and supplies.—The books of the Iberia and Vermilion and the United States Railroad Administration do not record any investment in material and supplies as of date of valuation.

Final value.—After careful consideration of all facts herein contained, including appreciation, depreciation, going-concern value, working capital, and all other matters which appear to have a bearing upon the values here reported, the values for rate-making purposes, of the property of the Iberia and Vermilion, owned or used, devoted by it to common-carrier purposes, are found to be as follows:

	Final value
Wholly owned and used	$300,000
Used but not owned, leased from—	
Morgan's Louisiana and Texas Railroad and Steamship Company	13,000
Private parties	385
Total	13,385
Total owned	300,000
Total used	313,385

There is included in the above statement the sum of $13,000, representing working capital owned by Morgan's Louisiana and Texas Railroad and Steamship Company. This amount is made up of $5,000 cash and $8,000 material and supplies.

No other values or elements of value to which specific sums can now be ascribed are found to exist.

APPENDIX 1

Iberia and Vermilion

Traffic connections.—The railroad of the Iberia and Vermilion connects at Abbeville with the line of the Louisiana Western Railroad Company, and at Iberia and Vermilion Junction with the line of the Morgan's Louisiana and Texas Railroad and Steamship Company.

Physical conditions affecting construction.—The country traversed is the low level coastal plain adjacent to the Gulf of Mexico. The soil is black and very fertile.

Economic conditions relating to traffic.—The principal products of the region are sugar cane and rice.

Physical characteristics of road.—The grading is very light and is all common material. The rail in both main track and sidings is relay of various weights from

50 to 80 pounds. The line is mostly earth surfaced, although cinders and oyster shell ballast are used in a few places.

Equipment.—The Iberia and Vermilion owns and uses 20 box cars and 10 stock cars.

Engineering and general expenditures.—Engineering has been estimated at 4 per cent on road accounts 3 to 47, inclusive. General expenditures, exclusive of interest, have been estimated at 1.5 per cent on road accounts 1 to 47, exclusive of account 2. Interest during construction has been estimated for one-half the construction period of 12 months, plus 3 months, at the rate of 6 per cent per annum on all road and general-expenditures accounts, excepting accounts 2 and 76. Interest on equipment has been estimated for 3 months at 6 per cent per annum.

SUMMARY

Wholly owned and used

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$10,248	$10,248
3	Grading	41,625	41,625
6	Bridges, trestles, and culverts	45,935	37,693
8	Ties	39,268	21,597
9	Rails	54,067	44,245
10	Other track material	13,851	10,064
11	Ballast	1,176	616
12	Tracklaying and surfacing	25,916	18,400
13	Right-of-way fences	5,689	2,591
15	Crossings and signs	3,090	2,249
16	Station and office buildings	17,491	11,456
17	Roadway buildings	3,533	2,455
18	Water stations	1,561	1,021
23	Wharves and docks	2,616	1,965
27	Signals and interlockers	75	64
37	Roadway machines	130	85
38	Roadway small tools	180	90
	Total, 1, and 3 to 47, inclusive	266,451	206,464
	II. EQUIPMENT		
53	Freight-train cars	30,510	18,105
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	3,997	3,078
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	12,628	9,641
	Total, 71 to 77, inclusive	16,625	12,719
	Grand total, 1, and 3 to 77, inclusive	313,586	237,288

APPENDIX 2

Iberia and Vermilion

INTRODUCTORY

The Iberia and Vermilion is a corporation of the State of Louisiana, having its principal office at Iberia, La. The Iberia and Vermilion is controlled by the Morgan's Louisiana and Texas Railroad and Steamship Company through ownership of the entire outstanding capital stock. On the other hand, the records do

not indicate that this company controls any other common-carrier corporation. The property of the Iberia and Vermilion was operated by its own organization from the date of its completion, November 27, 1892, to December 31, 1917. On January 1, 1918, the common-carrier property of the Iberia and Vermilion was taken over for operation by the United States Railroad Administration, which still operates it on date of valuation.

CORPORATE HISTORY

The Iberia and Vermilion was incorporated April 6, 1891, for a period of 99 years, under the general laws of the State of Louisiana, for the purpose of constructing, operating, and maintaining a railroad from some point on the Bayou Teche, at or near the town of New Iberia, to Abbeville, La. The date of organization of the Iberia and Vermilion was April 6, 1891.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The owned mileage of the Iberia and Vermilion, extending from Abbeville to Iberia and Vermilion Junction, La., a distance of 16.089 miles, was constructed for it during the period from July, 1892, to November 27, 1892. The construction work was performed under contract by the Pacific Improvement Company, an affiliated corporation.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records reviewed do not indicate that any syndicating arrangements have been made in connection with the issuance of the securities of the Iberia and Vermilion. The financial arrangements of the Iberia and Vermilion have included the issuance of its securities to the Pacific Improvement Company for the construction of its property.

Capital stock and long-term debt.—From the date of its incorporation to date of valuation, the Iberia and Vermilion has issued capital stock and funded debt, as indicated by its records, aggregating $622,000 par value, all of which are actually outstanding, as summarized in the following table:

Class	Issued and actually outstanding
Stock, capital stock, par value, common	$300,000
Long-term debt, funded debt, par value, issued	322,000
Total	622,000

Capital stock.—The authorized capital stock is $300,000 par value, divided into shares of $100 par value each, all of which is classified as common stock. The Iberia and Vermilion has issued capital stock in exchange for the following recorded considerations:

Par value	Consideration	Recorded value
Issued		
$1,100	Cash	$1,100
298,900	Unapportioned part of road constructed	298,900
300,000	Total issued for considerations	300,000
Outstanding		
$300,000		

Funded debt.—The Iberia and Vermilion issued first-mortgage 5 per cent gold bonds of $322,000 par value, dated August 1, 1893, maturing August 1, 1943, all of which are outstanding. These bonds are guaranteed as to principal and interest by the Morgan's Louisiana and Texas Railroad and Steamship Company, and were issued to the Pacific Improvement Company in part payment for road constructed. The Iberia and Vermilion incurred an expense in the amount of $671 in connection with the issuance of such securities, all of which was charged to the income account.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of the Iberia and Vermilion and the United States Railroad Administration, are given separately below.

Income statement of the Iberia and Vermilion.—A condensed summary of the income accounts for the year ended December 31, 1917, and for the period November 27, 1892, to date of valuation, follows.

	Year	Period
Operating income:		
Railway operating revenues	$94,355.78	$1,539,092.34
Railway operating expenses	53,851.27	905,117.31
Net revenue from railway operations	40,504.51	633,975.03
Railway tax accruals	4,926.27	47,748.94
Uncollectible railway revenues	2.56	555.37
Total operating income	35,575.68	585,670.72
Nonoperating income:		
Hire of equipment	1,603.62	5,514.27
Income from lease of road		7,349.60
Miscellaneous rent income	11.16	50.45
Income from funded securities	1,033.08	2,711.54
Income from unfunded securities and accounts		85,372.40
Miscellaneous income		469.41
Total	2,647.86	101,467.67
Gross income	38,223.54	687,138.39
Deductions from gross income:		
Hire of equipment	1,721.67	47,339.19
Joint-facility rents	1,371.60	30,356.40
Miscellaneous rents		400.00
Interest on funded debt	16,100.00	401,262.03
Interest on unfunded debt		500.34
Amortization of discount on funded debt		671.00
Total	19,193.27	480,528.96
Net income	19,030.27	206,609.43
Disposition of net income, income credit balance transferred to profit and loss	19,030.27	206,609.43

During the period January 1, 1918, to date of valuation the Iberia and Vermilion has accrued rental as due from the United States Railroad Administration for use of its road amounting to $7,349.60. This amount is included in the income statement of the company as income from lease of road.

An examination shows that, under the present classification of accounts, certain items included in other accounts would be includible in the income statement for the period. Also, certain income items recorded in the profit and loss account would be includible in the income statement for the period. These items, grouped according to the effect their adjustment would have on the income for the period, are as follows:

Additions to income, transferable from delayed income credits in profit and loss account:		
Addible to railway operating revenues		$3,487.23
Deductible from railway tax accruals		33.68
Total		3,520.91
Deductions from income:		
Transferable from delayed income debits in profit and loss account—		
Addible to railway operating expenses, being adjustment of depreciation on equipment		6,514.04
Addible to railway tax accruals		355.50
Addible to deductions from gross income, for interest on unfunded debt		164.34
Transferable from charges to investment in road and equipment account, addible to deductions from gross income, for interest on unfunded debt		10,939.18
Total		17,973.06
Net deduction from income		14,452.15

If the income accounts of the Iberia and Vermilion were adjusted to the extent indicated above, and if the items then contained therein were taken at their recorded amounts, the credit balance transferable to profit and loss would be decreased by $14,452.15, or to $192,157.28.

Profit and loss statement of the Iberia and Vermilion.—A condensed summary of the profit and loss accounts for the period November 27, 1892, to date of valuation follows.

Credits:		
Net credit balance transferred from income		$206,609.43
Delayed-income credits—		
Railway operating revenues	$3,487.23	
Railway tax accruals	33.68	
		3,520.91
Unrefundable overcharges		179.71
Donations		816.96
Total		211,127.01
Debits:		
Dividend appropriations of surplus		150,000.00
Surplus appropriated for investment in physical property		877.60
Delayed-income debits—		
Railway operating expenses	$6,514.04	
Railway tax accruals	355.50	
Interest on unfunded debt	164.34	
		7,033.88
Total		157,911.48
Credit balance as of date of valuation		53,215.53

An examination shows that, under the present classification of accounts, a credit item of $216.77 recorded in the investment in road and equipment account, representing proceeds from sale of donated lands, would be includible in the profit and loss account.

If the above item were transferred to the profit and loss account, and if the $10,939.18 of interest on unfunded debt charged to the investment in road and equipment account, hereinbefore referred to as transferable to an income account, were so transferred, the credit balance in the profit and loss account would be reduced by $10,722.41, or to $42,493.12.

Income statement of the United States Railroad Administration.—A condensed summary of the income accounts for the period January 1, 1918, to date of valuation follows.

Operating income:	
Railway operating revenues	$38,355.12
Railway operating expenses	35,009.31
Net revenue from railway operations	3,345.81
Railway tax accruals	1,608.54
Uncollectible railway revenues	0.03
Total operating income	1,737.24
Nonoperating income, hire of equipment	98.08
Gross income	1,835.32
Deductions from gross income:	
Hire of equipment	982.18
Joint-facility rents	685.80
Interest on unfunded debt	33.39
Total	1,701.37
Net income	133.95
Disposition of net income, income credit balance transferred to profit and loss	133.95

During this period the United States Railroad Administration has not accrued any rental as payable to the Iberia and Vermilion for the use of its road.

Profit and loss statement of the United States Railroad Administration.—The credit balance in the profit and loss account of the United States Railroad Administration on date of valuation is $133.95, representing the credit balance transferred from income.

Dividends.—The Iberia and Vermilion during the year 1912, declared a cash dividend at the rate of 50 per cent, amounting to $150,000, which amount has been charged to the profit and loss account.

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Iberia and Vermilion in road and equipment, including land, on date of valuation is stated in its books as $657,908.84, of which the following is a general analysis:

For original construction and additions and betterments, not separable:		
Capital stock issued, par value	$298,900.00	
Funded debt issued, par value	322,000.00	
Recorded money outlay	37.83	
Credit given the Southern Pacific Company in open account for recorded money outlay by it, including $642.77 for interest during construction	8,906.51	
Credit given the Morgan's Louisiana and Texas Railroad and Steamship Company in open account for recorded money outlay by it	33,016.24	
		$662,860.58
For equipment, credit given the Morgan's Louisiana and Texas Railroad and Steamship Company in open account for recorded money outlay by it		29,677.25
Total of above items		692,537.83
Retirements, road, credited at		524.24
Net total of above items		692,013.59
Other items, net credit, not in accordance with the present classification of accounts:		
Credits—		
Transferable to balance sheet account, grants in aid of construction, special tax in aid of construction levied by the Parishes of Iberia and Vermilion, La	$44,827.16	
Transferable to profit and loss, proceeds from sale of donated lands	216.77	
	45,043.93	
Transferable to deductions from gross income, interest on unfunded debt	10,939.18	
		34,104.75
Total recorded as of date of valuation		657,908.84

If the other items set out in the above general analysis were eliminated, and if all the items then contained therein were taken at their recorded values, the balance in the investment in road and equipment account would be increased by $34,104.75, or to $692,013.59.

This adjusted amount would be the result, on the one hand, of gross outlays that consist, in part, of considerations other than cash recorded at $620,900, and, on the other hand, of items deductible from the gross outlays and recorded at $524.24, but not deductible at the recorded amounts from any particular class or classes of such outlays. The cash value at the time of the transactions of the considerations other than cash and of the items other than cash deductible from the gross outlays is not known and can not be definitely determined, because it has not been possible to obtain the necessary information.

With respect to the cash value of the $298,900 par value of capital stock issued by the Iberia and Vermilion during 1892 and 1893 for construction, the records of the Morgan's Louisiana and Texas Railroad and Steamship Company show that during December, 1895, it acquired $298,500 par value of the stock of this

company from the Pacific Improvement Company in consideration of guaranteeing the principal and interest on the $322,000 par value of funded debt of the Iberia and Vermilion.

The balance in the investment in road and equipment account, if adjusted to the above extent, so far as it is resolvable into kinds of considerations, would comprise the following classes of recorded outlay:

Recorded money outlay	$37. 83
Credit given affiliated companies in open account for recorded money outlay by them, including $642.77 interest during construction	71, 600. 00
Capital stock issued, par value	298, 900. 00
Funded debt issued, par value	322, 000. 00
From which should be deducted such portions, not definitely determinable, as represent, road retired and credited at	524. 24

ORIGINAL COST TO DATE

The original cost to date of the road and equipment, including land, owned by the Iberia and Vermilion and used for common-carrier purposes, has not been definitely ascertained. The data obtained on the outlay for creating and improving such property are those found in the investment in road and equipment account of the Iberia and Vermilion, summarized as follows:

Recorded money outlay	$71, 637. 83
Capital stock issued, par value	298, 900. 00
Funded debt issued, par value	322, 000. 00
From which should be deducted such portions, not definitely determinable, as represent, road retired and credited at	524. 24

The cash value at the time of the transactions of the considerations other than cash is not known and can not be definitely determined, because it has not been possible to obtain the necessary information.

Cost of lands.—The Iberia and Vermilion reports amounts aggregating $1,067.25 as the outlays by itself in connection with lands owned or used by it. A verification of the amounts indicates that the reported outlays should be reduced by $243.75, as detailed below:

Deductions:	Amount
Annual rental returned as land cost	$200. 00
Estimated attendant costs	43. 75
Total	243. 75

The returns include certain lands which were donated, certain lands for which nominal deed considerations only are reported, certain streets and highways vacated to the company by municipalities without reported considerations, certain lands held by adverse possession, certain lands acquired through exchange of other lands, certain lands for which the considerations recited in deeds are other than of a monetary value, and certain lands used under lease for which no costs are reported.

The $823.50 reported by the Iberia and Vermilion as costs incurred by it for the remaining lands owned, after making the changes noted above, is made up of costs supported by accounting records. All of the foregoing lands, except the parcel recorded as leased, have been classified as carrier, owned and used, and all of the lands are located in the State of Louisiana.

Cost of machinery and equipment.—The Iberia and Vermilion reports that it owns and uses 30 units of equipment and 3 roadway machines, with costs aggregating $30,563. After classifying the returns according to the classification herein of the property to which they apply, the returns are summarized as follows:

Classification	Units	Costs supported by accounting records	Amounts estimated by the Iberia and Vermilion or otherwise not supported by accounting records
Machinery, roadway machines	3	$60	$64
Equipment, freight-train cars	30	29, 620	819

INVESTMENTS IN OTHER COMPANIES

The investments of the Iberia and Vermilion in other companies on date of valuation are stated in its records at a total par value and book value of $39,857.58, and consists of $19,500 of United States 4 per cent Liberty bonds acquired through open account with the Morgan's Louisiana and Texas Railroad and Steamship Company, and $20,357.58 representing the balance due from that company in advance account and classified as investments in affiliated companies.

AIDS, GIFTS, GRANTS, AND DONATIONS

The Iberia and Vermilion reports the following aids, gifts, grants, and donations as having been received by it:

	Expense of acquisition	Amount
Lands donated by various individuals	Not reported	(1)
Cash donated by various individuals and municipalities	do	$43, 631. 43
Subsidy tax voted by the town of Abbeville, La	do	1, 500. 00

[1] Neither the cost to the donors of donated lands nor their value at the time of acquisition was reported by the company.

An examination of the records of the Iberia and Vermilion shows that the amount of $43,631.43 reported by it as cash donated by various individuals and municipalities should be increased by $729.46, due to the addition of $816.96 received by the company in connection with the construction of industry spur tracks omitted from its return and the deduction of $87.50 account of duplication in the amount of $5,825.16 reported by the company and described by it as donations collected in connection with construction of road.

The report of the company upon the cost of its lands shows that certain parcels were acquired by it through deeds that recite merely nominal considerations. Since the records do not indicate that any actual payment was made in the acquisition of these parcels, they have been herein designated as apparent aids.

The value at the time of acquisition of lands received as donations has not been ascertained, because it has not been possible to obtain the necessary information.

MATERIAL AND SUPPLIES

The books of the Iberia and Vermilion and the United States Railroad Administration do not record any investment in material and supplies as of date of valuation.

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LEASED RAILWAY PROPERTY

The Iberia and Vermilion used on December 31, 1917, facilities owned by another company, and another company used property owned by the Iberia and Vermilion to the extent indicated in the statement below. The description of the property and the rentals accrued and charged to income for the year ended on December 31, 1917, are as follows:

	Rentals
Solely owned, but jointly used with, Louisiana Western Railroad Company, freight and passenger stations, Abbeville, La., no formal agreement. The above-named company pays 50 per cent of expense of operation and maintenance	---
Jointly used but not owned, owned by, Morgan's Louisiana and Texas Railroad and Steamship Company:	
Trackage rights, 5.36 miles, between New Iberia and Iberia and Vermilion Junction; 3 per cent per annum on valuation of $7,000 per mile. Valuation $37,520 and 50 per cent of maintenance	$1, 125. 60
Depot facilities, New Iberia, La., $200 per month	---
Shop buildings and contents at New Orleans and Algiers, La.; 1 per cent of 5 per cent per annum on valuation as follows—	
Buildings $208, 900. 00	
Contents 283, 094. 00	
Total 491, 994. 00	
5 per cent 24, 599. 70	
1 per cent, Iberia and Vermilion proportion	246. 00

GENERAL BALANCE SHEET STATEMENTS

The general balance sheet statement of the Iberia and Vermilion, as of date of valuation, follows:

ASSETS

Investments:	
Investment in road and equipment	$657, 908. 84
Investments in affiliated companies, advances	20, 357. 58
Other investments, bonds	19, 500. 00
Total	697, 766. 42
Current assets:	
Miscellaneous accounts receivable	*Cr. 17. 56*
Interest and dividends receivable	93. 17
Rents receivable	7, 349. 60
Total	7, 425. 21
Deferred assets, other deferred assets	579. 94
Unadjusted debits, other unadjusted debits	247. 87
Grand total	706, 019. 44

LIABILITIES

Stock, capital stock	$300, 000. 00
Long-term debt, funded debt unmatured	322, 000. 00
Current liabilities, unmatured interest accrued	6, 608. 32
Deferred liabilities, other deferred liabilities	11, 509. 16
Unadjusted credits:	
Tax liability	212. 42
Insurance and casualty reserves	1, 054. 11
Accrued depreciation, equipment	10, 517. 23
Other unadjusted credits	*Dr. 74. 93*
Total	11, 708. 83
Corporate surplus:	
Additions to property through income and surplus	877. 60
Profit and loss, credit balance	53, 215. 53
Total	54, 093. 13
Grand total	706, 019. 44

The general balance sheet statement of the United States Railroad Administration, as of date of valuation, covering operation of the property of the Iberia and Vermilion, follows:

ASSETS

Current assets, miscellaneous accounts receivable	$122. 76
Deferred assets, other deferred assets	11, 509. 16
Unadjusted debits:	
Rents and insurance premiums paid in advance	. 25
Other unadjusted debits	*Cr. 74. 93*
Total, net credit	*74. 68*
Grand total	11, 557. 24

LIABILITIES

Long-term debt, nonnegotiable debt to affiliated companies, open accounts	2, 835. 52
Current liabilities, miscellaneous accounts payable	930. 47
Deferred liabilities, other deferred liabilities	579. 94

Unadjusted credits:	
Tax liability	$1,608.54
Insurance and casualty reserves	64.82
Operating reserves	4,709.49
Accrued depreciation, equipment	446.64
Other unadjusted credits	247.87
Total	7,077.36
Corporate surplus, profit and loss, credit balance	133.95
Grand total	11,557.24

SECTION 3

Valuation Docket No. 728

Houston and Shreveport Railroad Company

Location and general description of property.—The railroad of Houston and Shreveport Railroad Company, hereinafter called the Houston and Shreveport, is a single-track, standard-gage, steam railroad, extending in a northerly direction from the Texas-Louisiana State line at the Sabine River to Shreveport, La., a distance of 39.771 miles. The Houston and Shreveport also owns 6.437 miles of yard tracks and sidings. Its road thus embraces 46.208 miles of all tracks owned.

Capital stock and long-term debt.—The Houston and Shreveport had outstanding, on date of valuation, a total par value of $550,000 in stock and long-term debt, of which $400,000 represented common stock and $150,000 funded debt.

Results of corporate operations.—For the period from July 15, 1891, to December 31, 1917, the aggregate railway operating expenses have been 61.1 per cent of the railway operating revenues. During the period of 10.5 years preceding December 31, 1917, average annual dividends of 20 per cent on common stock were declared. Further details appear in Appendix 2.

Original cost to date.—The original cost to date of all common-carrier property of the Houston and Shreveport can not be ascertained, as the necessary records are not obtainable. Such information respecting actual expenditures as can be ascertained is stated in Appendix 2.

Investment in road and equipment.—The investment of the Houston and Shreveport in road and equipment, including land, on date of valuation, is stated in its books as $696,271.31. If readjustments were made, this amount would be increased to $742,196.44, of which $550,000, less an undetermined portion thereof assignable to offsetting items included in amounts recorded at $1,787.22, represents considerations other than money, the cash value of which at the time

of the transaction we are not able to report, because it has been impossible to obtain the necessary information.

The above outlays include an undeterminable amount for rail, land and equipment retired and sold for $43,861.95. They may include, also, some or all of the cost of noncarrier lands. Further information will be found in Appendix 2.

Cost of reproduction new and cost of reproduction less depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, owned and used by the Houston and Shreveport, including its portion of certain jointly owned minor facilities, are $784,286 and $638,672, respectively. These amounts, classified in conformity with the classification of expenditures for road and equipment prescribed by us, are shown in Appendix 1.

Cost of lands, rights of way and terminals at time of dedication to public use and their present value.—The Houston and Shreveport owns and uses for common-carrier purposes 551.81 acres of lands. The total original cost of these lands can not be ascertained, as the necessary records are not obtainable. Data on their original cost will be found in Appendix 2. Their present value is $142,335.

Property held for purposes other than those of a common carrier.—The Houston and Shreveport owns and holds for noncarrier purposes 1.56 acres of lands located in Louisiana. The total original cost of these lands can not be ascertained, as the necessary records are not obtainable. Data on their original cost will be found in Appendix 2. Their present value is $21,779.

The Houston and Shreveport owns securities of other companies and of the United States, held for noncarrier purposes. Their par value is $245,957.27, and their book value, stated by the Houston and Shreveport as its net investment in securities of others, is $245,827.27. These securities, with their par and book values on date of valuation, are listed in Appendix 2.

Aids, gifts, grants of rights of way, and donations.—Of the lands owned and used by the Houston and Shreveport and included in the foregoing summary of such lands, 0.46 acre, with a present value of $1,320, was acquired by the Shreveport and Houston Railway Company, a predecessor, as a donation from certain individuals. The value of these lands at the time acquired can not be determined.

Material and supplies.—The Houston and Shreveport has no material and supplies on hand. Its needs are supplied, as they arise, by the Houston East and West Texas Railway Company.

Final value.—After careful consideration of all facts herein contained, including appreciation, depreciation, going-concern value, working capital, and all other matters which appear to have a bearing

upon the values here reported, the values, for rate-making purposes, of the property of the Houston and Shreveport, owned or used, devoted by it to common-carrier purposes, are found to be as follows:

	Final value
Wholly owned and used	$815,000
Used but not owned, leased from—	
Texas and New Orleans Railroad Company	1,000
The Houston East and West Texas Railway Company	54,000
Total	55,000
Total owned	815,000
Total used	870,000

There are included in the above statement the following amounts for working capital.

	Cash	Material and supplies	Total
Owned and used	$20,000		$20,000
Used but not owned, owned by—			
Texas and New Orleans Railroad Company		$1,000	1,000
The Houston East and West Texas Railway Company		54,000	54,000

No other values or elements of value to which specific sums can now be ascribed are found to exist.

APPENDIX 1

Houston and Shreveport

Traffic connections.—The Houston and Shreveport has direct connections with other carriers for interchange of traffic, as follows:

Connecting points	Carrier
Shreveport, La	The Kansas City Southern Railway Company. Louisiana & Arkansas Railway Company. Louisiana Railway & Navigation Company. Missouri, Kansas & Texas Railway Company. St. Louis Southwestern Railway Company. The Texas and Pacific Railway Company. Vicksburg, Shreveport & Pacific Railway Company.
Keithville, La	The Texas and Pacific Railway Company.
Texas-Louisiana State line	The Houston East and West Texas Railway Company.

Physical conditions affecting construction.—The country traversed by the railroad of the Houston and Shreveport is light rolling timber upland.

Economic conditions relating to traffic.—The heavy timber originally near the line of railroad has been cut off, but there still remains much small timber suitable for ties and small-dimension lumber. A small percentage of the land is in cultivation, cotton being the principal crop raised. The lumber industry, however, provides the chief source of local revenue. The through traffic via Shreveport to and from points on the Southern Pacific System furnishes the main business of the Houston and Shreveport.

Physical characteristics of road.—The maximum grades are 1.29 per cent westbound and 1.28 per cent eastbound. The maximum curvature is 3° 33′.

Equipment.—The Houston and Shreveport owns and uses 48 freight-train cars. The balance of the equipment used in operating its road is furnished by The Houston East and West Texas Railway Company on a rental basis.

Engineering and general expenditures.—Engineering has been estimated at 4 per cent on road accounts 3 to 47. General expenditures, exclusive of interest, have been estimated at 1.5 per cent on road accounts 1 to 47, exclusive of account 2. Interest during construction has been estimated for one-half the construction period of 24 months, plus 3 months, at 6 per cent per annum on all road and general-expenditures accounts except accounts 2 and 76. Interest on equipment has been estimated for 3 months at 6 per cent per annum.

SUMMARY

Owned and used, including the Houston and Shreveport's portion of jointly owned minor facilities

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$25,820	$25,820
3	Grading	114,610	114,432
6	Bridges, trestles, and culverts	93,214	66,723
8	Ties	86,340	47,487
9	Rails	135,741	135,506
10	Other track material	42,346	36,890
11	Ballast	3,388	2,498
12	Tracklaying and surfacing	53,997	44,278
13	Right-of-way fences	14,003	8,509
15	Crossings and signs	6,124	4,278
16	Station and office buildings	25,182	17,854
17	Roadway buildings	7,686	4,960
18	Water stations	9,043	6,795
19	Fuel stations	12,990	10,456
20	Shop and engine houses	26,346	23,779
26	Telegraph and telephone lines	8,236	4,330
27	Signals and interlockers	227	193
37	Roadway machines	367	278
38	Roadway small tools	186	93
44	Shop machinery	2,477	1,666
	Total, 1, and 3 to 47, inclusive	671,323	556,825
	II. EQUIPMENT		
53	Freight-train cars	51,024	30,614
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	10,070	8,358
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general	51,869	42,875
76	Interest during construction		
	Total, 71 to 77, inclusive	61,939	51,233
	Grand total, 1, and 3 to 77, inclusive	784,286	638,672

APPENDIX 2

Houston and Shreveport

INTRODUCTORY

The Houston and Shreveport is a corporation of the State of Louisiana, having its principal office at Shreveport, La.

The Houston and Shreveport is controlled by the Southern Pacific Company through ownership of a majority of the outstanding capital stock. On January 1, 1918, the common-carrier property of the Houston and Shreveport was taken over by the United States Railroad Administration, which still operates it on date of valuation.

The line of the Houston and Shreveport extends from Shreveport to the Sabine River, which forms part of the boundary between Louisiana and Texas. It terminates at a point on the bridge over the Sabine River at Logansport, La. There connection is made with the railroad of The Houston East and West Texas Railway Company, a Texas corporation, and a through line between Houston, Tex., and Shreveport, La., is thus formed.

Records of a predecessor company being incomplete, only partial information can be given with respect to original cost to date of the property.

CORPORATE HISTORY

The Houston and Shreveport was incorporated September 9, 1891, under the general laws of the State of Louisiana, for the purpose of taking and holding the property and franchises of the Shreveport and Houston Railway Company, which had been incorporated for a period of 99 years.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The road owned by the Houston and Shreveport was acquired by purchase from Joseph Richardson and M. C. Hawley, who had bought the property of the Shreveport and Houston Railway Company under foreclosure proceedings on June 2, 1890. It then consisted of a single-track, 3-foot gage, railroad, extending from Shreveport to the Sabine River, near Logansport, a distance of 39.77 miles.

The Houston and Shreveport changed the gage to standard in 1894. A contract was made on June 28, 1897, for relaying the line with improved 60-pound steel rail and for reconstructing the Houston and Shreveport's half of the Sabine River bridge. The contractor completed his work about July 1, 1898.

On date of valuation, the common carrier-property of the Houston and Shreveport, which in addition to a main-line mileage of 39.77 miles, includes 6.43 miles of yard tracks, sidings, and spurs, is being operated by the United States Railroad Administration.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records of the Houston and Shreveport do not disclose that syndicating arrangements were made in connection with the issuance of its securities.

The properties of the Shreveport and Houston Railway Company were acquired in return for an issue of capital stock. Subsequent additions to the property were financed from earnings. A contract for relaying the track with heavier rail and rebuilding one-half of the Sabine River bridge was, however, paid for in bonds.

Capital stock and long-term debt.—From the date of its incorporation, September 9, 1891, to date of valuation, the Houston and Shreveport has issued capital stock

and funded debt, as indicated by its records, aggregating $550,000 par value, all of which are actually outstanding, as summarized in the following table:

Class	Issued and actually outstanding
Capital stock, common, par value	$400,000
Funded debt, issued, par value	150,000
	550,000

Capital stock.—The authorized capital stock of the Houston and Shreveport is $400,000 par value, divided into shares of $100 par value each. The total amount was issued in payment for the former properties of the Shreveport and Houston Railway Company and the same amount was charged to the investment in road and equipment account.

Funded debt.—The funded debt actually outstanding on date of valuation consists of $150,000 par value of first-mortgage, 6 per cent, gold bonds, dated July 6, 1898, maturing July 1, 1937. This was the total amount authorized and was issued in full payment of a contract for relaying the road with heavier rail and rebuilding one-half of the Sabine River bridge. The amount of $150,000 was charged to the investment in road and equipment account.

Nonnegotiable debt to affiliated companies.—On date of valuation, the United States Railroad Administration records in open account an amount of $110,983.65 due from it to the Southern Pacific Company for settlements of accounts with affiliated companies.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of the Houston and Shreveport and the United States Railroad Administration, are given separately below.

Richardson and Hawley acquired title to the property of the Shreveport and Houston Railway Company on July 15, 1891, and passed title to the Houston and Shreveport on October 23, 1891. Operations by the Houston and Shreveport were recorded as a continuation of operations by Richardson and Hawley, and the results can be stated only in combination.

Income statement of the Houston and Shreveport.—A condensed summary of the Houston and Shreveport's income accounts for the year ended December 31, 1917, the last full year of operation prior to Federal control, and for the period July 15, 1891, to December 31, 1917, follows.

Item	Year	Period
Operating income:		
Railway operating revenues	$406,838.57	$5,543,294.66
Railway operating expenses	212,804.02	3,389,416.25
Net revenue from railway operations	194,034.55	2,153,878.41
Railway tax accruals	50,656.90	240,225.36
Uncollectible railway revenues		18.55
Total operating income	143,377.65	1,913,634.50
Nonoperating income:		
Hire of equipment		.40
Miscellaneous rent income	1,055.00	13,769.75
Income from funded securities	13,397.75	23,858.88
Income from unfunded securities and accounts		68,417.06
Miscellaneous income	12.06	1,921.81
Total nonoperating income	14,464.81	107,967.90
Gross income	157,842.46	2,021,602.40

Item	Year	Period
Deductions from gross income:		
Hire of equipment	$19,816.89	$270,545.60
Joint-facility rents	863.99	9,689.02
Miscellaneous rents		3.00
Interest on funded debt	9,000.00	175,500.00
Interest on unfunded debt		28.02
Miscellaneous income charges		2,443.83
Total deductions from gross income	29,680.88	458,209.47
Net income	128,161.58	1,563,392.93
Income credit balance transferred to profit and loss	128,161.58	1,563,392.93

Included in miscellaneous income charges for the period ending December 31, 1917, is an amount of $1,370.44, purporting to have been expended for improvements.

Income statement of the United States Railroad Administration and of the Houston and Shreveport.—A condensed summary of the income accounts of the Houston and Shreveport and of the United States Railroad Administration for the period January 1, 1918, to date of valuation, follows:

Item	Houston and Shreveport	United States Railroad Administration
Operting income:		
Railway operating revenues		$220,218.48
Railway operating expenses		145,815.55
Net revenue from railway operations		74,402.93
Railway tax accruals	$4,200.00	9,870.00
Total operating income		64,532.93
Total operating deficit	4,200.00	
Nonoperating income:		
Income from lease of road	43,052.04	
Miscellaneous rent income	164.38	
Income from funded securities	7,185.26	
Income from unfunded securities and accounts	14.06	87.84
Total nonoperating income	50,415.74	87.84
Gross income	46,215.74	64,620.77
Deductions from gross income:		
Hire of equipment		12,776.07
Joint-facility rents		260.40
Interest on funded debt	4,500.00	
Total deductions from gross income	4,500.00	13,036.47
Net income	41,715.74	51,584.30
Income credit balance transferred to profit and loss	41,715.74	51,584.30

Profit and loss statement of the Houston and Shreveport.—A condensed summary of the profit and loss accounts of the Houston and Shreveport for the period July 15, 1891, to date of valuation, follows.

Credits:	
Net credit balance for period ended Dec. 31, 1917, transferred from income	$1,563,392.93
Net credit balance for period Jan. 1, 1918, to date of valuation, transferred from income	41,715.74
Profit on road and equipment sold	1,202.44
Unrefundable overcharges	701.26

Credits—Continued.	
Miscellaneous credits—	
Proceeds from sale of old rails	$36,652.03
Proceeds from sale of land at Shreveport	2,500.00
Proceeds from sale of equipment	4,709.92
Miscellaneous items	13,339.67
Total	1,664,213.99
Debits:	
Dividend appropriations of surplus	1,136,762.15
Loss on retired road and equipment	599.22
Miscellaneous debits—	
Preliminary surveys of projects abandoned	3,082.62
Adjustment of depreciation on rolling stock to June 30, 1913	11,460.66
Amounts expended to June 30, 1900, in settlement of damage claims arising from fire at Logansport in 1898	45,925.13
Surplus as of Dec. 31, 1894, not carried forward to new profit and loss account	90,807.46
Miscellaneous items	2,138.45
Total	1,290,775.69
Credit balance on date of valuation	373,438.30

Profit and loss statement of the United States Railroad Administration.—The only item recorded in the profit and loss account of the United States Railroad Administration, covering the operation of the common-carrier property of the Houston and Shreveport, is the credit of $51,584.30 transferred from income account.

Dividends.—From July 15, 1891, to date of valuation dividend appropriations of surplus are recorded at $1,136,762.15, of which $44,762.15 apply to the period prior to June 30, 1899. From July 1, 1899, to date of valuation, dividends to the amount of $1,092,000 were declared and charged to profit and loss account. Dividends declared were at the rate per annum as noted below.

Years ending June 30—	Per cent	Years ending June 30—	Per cent
1900	35	1913	30
1903	38	1914	20
1908	20	1915	30
1910	10	1916	20
1911	10	1917	15
1912	30	Year ending Dec. 31, 1917	15

Prior to July 1, 1899, dividends declared at a rate per cent aggregated $108,000. There was also on March 30, 1897, the declared dividend of an unnamed amount to consist of all moneys on hand and due and all outstanding moneys as collected. Dividends for the period prior to July 1, 1899, recorded in the profit and loss account, amount to only $44,762.15. It is not clear from the records whether the surplus of $90,807.46 as of December 31, 1897, which the Houston and Shreveport did not carry forward to new profit and loss account, had been absorbed in paying dividends or not.

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Houston and Shreveport in road and equipment, including land, on date of valuation is stated in its books as $696,271.31, of which the following is a general analysis:

Property of Shreveport and Houston Railway Company purchased, securities issued at par, capital stock	$400, 000. 00	
Additions and betterments:		
First-mortgage bonds at par (issued to Blair and Company for relaying track with heavier rail and rebuilding the Houston and Shreveport's part of bridge over Sabine River)	150, 000. 00	
Recorded money outlay	193, 983. 66	
		$743, 983. 66
Less—		
Retirements, recorded at	1, 787. 22	
Other item, not in accord with the present classification of accounts, recorded money outlay to June 30, 1900, in settlement of damage claims to be refunded by Blair and Company, contractor	45, 925. 13	
		47, 712. 35
Total recorded as of date of valuation		696, 271. 31

The damage claims, above referred to, arose through a fire at Logansport, La., caused by sparks from a locomotive and finally reached to the amount of $76,864.34, which was collected from Blair and Company by the Southern Pacific Company and credited to the Houston and Shreveport in open account. However, no adjustment of the credit to investment in road and equipment account was made. If this item were eliminated and if all the remaining items were taken at their recorded amounts, the balance in the investment in road and equipment account would be increased to $742,196.44.

This adjusted amount would be the result, on the one hand, of gross outlays that consist, in part, of considerations other than cash recorded at $550,000, and, on the other hand, of items deductible from the gross outlays and recorded at $1,787.22, but not specifically deductible at the recorded amounts. The cash value at the time of the transactions of the considerations other than money and of the items deductible from the gross outlays is not known and can not be definitely determined.

The balance in the investment in road and equipment account, if adjusted to the above extent, so far as it is resolvable into the kinds of considerations, would comprise the following classes of recorded outlay:

Recorded money outlay	$193, 983. 66
Capital stock issued, par value	400, 000. 00
Funded debt issued, par value	150, 000. 00
From which should be deducted such portions, not definitely determinable, as represent retirements, credited at	1, 787. 22

In addition to the outlays mentioned above, the Houston and Shreveport has charged to income account $1,370.44, purporting to be for improvements to property. But, since it is not possible, solely from an analysis of the accounts, to

determine whether such charges represent the cost of additional property still in existence on date of valuation and do not represent renewals or replacements, in whole or in part, of property retired and not written out of the accounts, this amount has not been included in the above summary.

The investment in road and equipment account includes the contract price for relaying with heavier rail and rebuilding the Houston and Shreveport's part of a bridge, but does not reflect the retirement of old rail, sold for proceeds of $36,652.03. Nor does it reflect the retirement of land and equipment, sold for proceeds of $2,500 and $4,709.92, respectively.

The above outlays may also include some or all of the undetermined portions, assignable to noncarrier lands, of the claimed cost of lands classified herein as partly carrier and partly noncarrier. The Houston and Shreveport has not charged to its miscellaneous physical property account any amounts as representing its investment in noncarrier lands. The costs of the above lands can not be determined, but the amounts claimed by the Houston and Shreveport as costs are stated in the chapter on original cost to date.

ORIGINAL COST TO DATE

The original cost to date of the road and equipment, including land, owned by the Houston and Shreveport and used for common-carrier purposes has not been definitely ascertained. The original cost to date of sale under foreclosure of the property of the Shreveport and Houston Railway Company can not be ascertained. In accounts entitled "Construction," expenditures amounting to $19,492.56 are recorded. There is also recorded the assumption of receiver's certificates to the amount of $79,662, but whether or not these represented expenditures for property has not been ascertained. For construction of the main part of the property, there are no figures of cost, but about the time it was completed the Shreveport and Houston Railway Company had issued $400,000 par value of capital stock and $400,000 par value of bonds, for considerations not of record.

As hereinbefore shown, the Houston and Shreveport purchased the property formerly owned by the Shreveport and Houston Railway Company, issuing therefor $400,000 par value capital stock.

The obtainable data on the outlay for creating such property as was constructed by or for the Houston and Shreveport and for additions and betterments by the Houston and Shreveport to the entire property, may be summarized as follows:

Recorded money outlay	$193, 983. 66
First-mortgage bonds at par	150, 000. 00
From which there should be deducted such portions, not definitely ascertainable, as may be represented by road and equipment retired, credited at	1, 787. 22

In addition to the outlays mentioned, the Houston and Shreveport has charged to income account $1,370.44, purporting to be for improvements to property. But, since it is not possible, solely from an analysis of the accounts, to determine whether such charges represent the cost of additional property still in existence on date of valuation and do not represent renewals or replacements, in whole or in part, of property retired and not written out of the accounts, this amount has not been included in the above summary.

The records obtained indicate that the following property was sold for the proceeds shown below.

Old rail	$36, 652. 03
Land	2, 500. 00
Equipment	4, 709. 92

It is impossible to determine whether or not the unknown costs of this property should be deducted from the outlays of the Houston and Shreveport and of the Shreveport and Houston Railway Company above shown, for the reason that it is not known whether or not they are included in such outlays.

The above outlays may also include some or all of the undetermined portions, assignable to noncarrier lands, of the claimed cost of lands classified herein as partly carrier and partly noncarrier. The Houston and Shreveport has not charged to its miscellaneous physical property account any amounts as representing its investment in noncarrier lands. The costs of the above lands can not be determined, but the amounts claimed by the Houston and Shreveport as costs are stated in the section of this chapter devoted to cost of lands.

Cost of lands.—The Houston and Shreveport reports amounts aggregating $8,162.29 as the outlays by itself and its predecessor in connection with lands owned or used by it, including noncarrier lands, and that the proceeds from the sale of parts of parcels of such lands aggregate $2,500. A verification of the amounts indicates that the reported outlays should be reduced by $52.50, being estimated, incidental, and attendant costs.

The returns include certain lands donated; certain lands acquired through exchange of other lands; certain lands held by adverse possession; certain lands for which other than monetary considerations are recited in deeds; and certain lands leased for which no costs are reported.

The amounts reported as costs for the remaining lands owned, after making the changes noted above, are made up in part of costs supported by accounting records and in part of substantial considerations named in deeds, which the Houston and Shreveport returned as costs but which are not supported by accounting records. These amounts and the proceeds from parts of parcels sold, both classified according to the classification herein of the lands to which they apply, are summarized as follows:

Classification	Costs supported by accounting records	Amounts not supported by accounting records
Lands classified as carrier:		
Owned and used (includes $1,100 unsupported costs not separable as to lands classified as carrier and partly carrier and partly noncarrier)	$2,051.88	$6,057.91
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of (includes lands classified as carrier and partly carrier and partly noncarrier, not separable)	2,500.00	----------
Lands classified as partly carrier and partly noncarrier, owned	(1)	(1)

[1] See note under carrier land.

Cost of machinery and equipment.—The Houston and Shreveport reports that it owns and uses 48 units of equipment, 8 roadway machines, and certain machinery, with costs aggregating $54,481. After classifying the returns according to the classification herein of the property to which they apply, the returns are summarized as follows:

Classification	Units	Costs supported by accounting records	Amounts estimated by the Houston and Shreveport or otherwise not supported by accounting records
Machinery:			
Roadway machines	8	$85	$365
Shop machinery	----------	1,221	812
Total	----------	1,306	1,177
Equipment, freight-train cars	48	50,496	1,502

MISCELLANEOUS PHYSICAL PROPERTY

The accounts of the Houston and Shreveport do not record any investment in miscellaneous physical property on date of valuation. However, certain lands owned by this company have been classified herein as partly carrier and partly noncarrier. A summary of the claimed costs reported by the Houston and Shreveport as applying thereto is stated in the chapter on original cost to date. The portion of such costs that would be includible in the miscellaneous physical property account has not been indicated by the records reviewed.

INVESTMENTS IN OTHER COMPANIES

The investments of the Houston and Shreveport in other companies, on date of valuation, are stated in its records at a total book value of $245,826.77. A statement of the several investments recorded as of date of valuation, with their respective par values and book values, follows:

Item	Par value	Book value
Affiliated carrier corporations, open account with Southern Pacific Company	$202,698.45	$202,698.45
Other investments:		
United States Liberty loan bonds	36,200.00	36,070.00
Notes	7,058.82	7,058.82
Grand total	245,957.27	245,827.27

The open account with the Southern Pacific Company may be summarized as follows:

Debits:		
Cash remittances	$699,420.62	
Interest on balances in account	30,854.48	
		$730,275.10
Credits:		
Settlements with affiliated companies	357,664.70	
Liberty bonds purchased	36,200.00	
Interest coupons paid	13,500.00	
Dividends on capital stock	120,000.00	
Miscellaneous payments	211.95	
		527,576.65
Balance due the Houston and Shreveport		202,698.45

United States Liberty loan bonds purchased for the Houston and Shreveport by the Southern Pacific Company were subscribed for by employees and the book value to the Houston and Shreveport represents par of the bonds, less $130 in cash collected on account. The consideration for notes with a face value of $7,058.82 was old rail sold at that price.

Investments of the United States Railroad Administration.—The Federal books carry, on date of valuation, a net credit to miscellaneous investments. This represents collections of $555 from employees for their subscriptions to Liberty loan bonds, diminished by $12.80 advances to the Hospital Association of Southern Pacific lines.

LEASED RAILWAY PROPERTY

The property of the Houston and Shreveport devoted to common-carrier purposes has been operated by the United States Railroad Administration from December 31, 1917, to date of valuation.

On December 31, 1917, the Houston and Shreveport was using facilities of other carriers as follows:

Owning company and description of facility	Mileage	Terms of lease	Rental recorded for year ended Dec. 31, 1917
The Kansas City, Shreveport & Gulf Terminal Company, union passenger depot and trackage rights, Shreveport, La.	0.13	Monthly payment of $200 with additional charge of $2 for each train in excess of two trains per day.	$863.99
The Kansas City Southern Railway Company, trackage rights at Shreveport, La.	.81	$1 paid covers life of the agreement indefinite as to length of term but terminable at six months' notice. Owner maintained tracks.	

GENERAL BALANCE SHEET STATEMENTS

The general balance sheet statement of the Houston and Shreveport, as of date of valuation, follows:

ASSETS

Investments:	
Investment in road and equipment	$696,271.31
Investments in affiliated companies, advances	202,698.45
Other investments—	
Bonds	36,070.00
Notes	7,058.32
Total	942,098.08
Current assets:	
Cash	18.06
Loans and bills receivable	368.00
Miscellaneous accounts receivable	217.87
Interest and dividends receivable	180.99
Rents receivable	43,052.04
Total	43,836.96
Deferred assets:	
Working-fund advances	35.04
Other deferred assets	22,915.91
Total	22,950.95
Unadjusted debits:	
Rents and insurance premiums paid in advance	92.26
Other unadjusted debits	3,054.39
Total	3,146.65
Grand total	1,012,032.64

LIABILITIES

Stock, capital stock	400,000.00
Long-term debt, funded debt unmatured	150,000.00

Current liabilities:	
Audited accounts and wages payable	$206.61
Miscellaneous accounts payable	*Dr. 1,453.90*
Interest matured unpaid	4,500.00
Other current liabilities	*Dr. 1,042.45*
Total	2,210.26
Deferred liabilities, other deferred liabilities	66,475.78
Unadjusted credits:	
Tax liability	4,570.51
Insurance and casualty reserves	231.27
Accrued depreciation, equipment	17,780.10
Other unadjusted credits	*Dr. 2,673.58*
Total	19,908.30
Corporate surplus, profit and loss credit balance	373,438.30
Grand total	1,012,032.64

The general balance sheet statement of the United States Railroad Administration, as of date of valuation, covering operation of the property of the Houston and Shreveport, follows:

ASSETS

Investments, other investments, miscellaneous	*Cr.*	*$542.20*
Current assets:		
Cash		76,629.89
Net balance receivable from agents and conductors		5,958.42
Miscellaneous accounts receivable		74,743.20
Total		157,331.51
Deferred assets, other deferred assets		66,475.78
Unadjusted debits:		
Rents and insurance premiums paid in advance		1.24
Other unadjusted debits		*Cr. 8,945.85*
Total		*Cr. 8,944.61*
Grand total		214,320.48

LIABILITIES

Long-term debt, nonnegotiable debt to affiliated companies, open accounts	110,983.65
Current liabilities:	
Audited accounts and wages payable	16,336.47
Miscellaneous accounts payable	4,255.70
Other current liabilities	2,314.71
Total	22,906.88

Deferred liabilities, other deferred liabilities	$22,915.91
Unadjusted credits:	
Tax liability	9,870.00
Insurance and casualty reserves	*Dr.* 899.07
Operating reserves	*Dr.* 7,861.49
Accrued depreciation, equipment	646.87
Other unadjusted credits	4,173.43
Total	5,929.74
Corporate surplus, profit and loss credit balance	51,584.30
Grand total	214,320.48

Predecessor Company

SHREVEPORT AND HOUSTON RAILWAY COMPANY

INTRODUCTORY

The Shreveport and Houston Railway Company was a corporation of the State of Louisiana that originally had been named The Gulf, Shreveport and Kansas City Railroad Company.

On July 15, 1891, when it conveyed title to the purchasers of its property under foreclosure, the Shreveport and Houston Railway Company owned a 3-foot gage, steam railroad, extending from Shreveport to Logansport, La., about 39.77 miles. Connection was had with The Houston East and West Texas Railway Company, also at that time a narrow-gage railroad, making a through line between Shreveport, La., and Houston, Tex.

The records were found to be incomplete with respect to the construction and to the early financing and operating of the Shreveport and Houston Railway Company and no accounting records were obtained for the period prior to November, 1885.

CORPORATE HISTORY

The Shreveport and Houston Railway Company was incorporated June 9, 1883, under the general laws of the State of Louisiana, for a period of 99 years. From July 25, 1885, to December 5, 1885, the property was in the hands of a receiver. On October 7, 1889, the property again went into a receivership. It was sold on June 2, 1890, under foreclosure proceedings, to Joseph Richardson and M. C. Hawley to whom title passed by deed dated July 15, 1891. On October 23, 1891, Richardson and Hawley disposed of the property to the Houston and Shreveport, which had been organized to receive it.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The Shreveport and Houston Railway Company constructed a single-track, 3-foot gage, steam railroad between Shreveport and Logansport in the period from May 1, 1884, to October 1, 1885. Of this, 23 miles were placed in operation on May 20, 1885, and the remainder of the 39.77 miles built was placed in operation October 1, 1885.

HISTORY OF CORPORATE FINANCING.

How the construction of the road was financed has not been ascertained. The charter authorized an issue of $1,000,000 capital stock, divided into shares of a par value of $100 each.

There is no record of stock having been issued by the Shreveport and Houston Railway Company under its first name. Certificates to the amount of $400,000 par value were issued on December 15, 1885, under the changed name. There is no record of the consideration. An issue of first-mortgage bonds, not to exceed $10,000 per mile of completed road, was authorized, dated July 1, 1884, due July 1, 1914, with interest at 6 per cent per annum. Of these, bonds to the amount of $400,000 par value were issued but the considerations are not of record.

The receivership beginning July 25, 1885, was brought to an end by a court decree dated December 5, 1885. By this decree the property was restored to the Shreveport and Houston Railway Company, subject to the assumption of receiver's certificates to the amount of $79,662. Whether the receiver had incurred these obligations to complete construction or to pay costs of operation is not of record.

RESULTS OF CORPORATE OPERATIONS

The property was operated by its own organization until July 25, 1885; then by a receiver until December 15, 1885. From that date until October 7, 1889, the Shreveport and Houston Railway Company again operated its own property. From October 7, 1889, until July 15, 1891, when deeded to Richardson and Hawley, the property was for a second time in a receivership.

Income statement.—For the period between June 9, 1883, and December 5, 1885, information on the results of operations was not obtained. Accounting records give the following results for the period between November 6, 1885, and July 15, 1891:

Operating income:	Nov. 6, 1885, to July 15, 1891
Railway operating revenues	$341,978.28
Railway operating expenses	249,789.07
Net revenue from railway operations	92,189.21
Railway tax accruals	10,005.49
Railway operating income	82,183.72
Nonoperating income, miscellaneous income	5.00
Gross income	82,188.72
Deductions from gross income:	
Interest on funded debt	3,810.00
Interest on unfunded debt	469.35
Total deductions from gross income	4,279.35
Net income	77,909.37
Income credit balance transferred to profit and loss	77,909.37

Profit and loss statement.—A condensed summary of the profit and loss accounts for the period November 6, 1885, to July 15, 1891, follows:

Credits, credit balance transferred from income	$77,909.37
Debits, miscellaneous debits	301.75
Credit balance at July 15, 1891	77,607.62

INVESTMENT IN ROAD AND EQUIPMENT

For the period during which the construction was done there are no accounting records. The issuance of the capital stock and of the funded debt of the Shreveport and Houston Railway Company does not appear on the books now in the possession of the Houston and Shreveport either as representing a liability or a cost of property.

Between November 6, 1885, and July 15, 1891, in accounts entitled "Construction" there are recorded expenditures of $19,492.56. However, with respect to the greater part of the property of the Shreveport and Houston Railway Company the books of account contain no information from which to make a statement of its original cost to date or of the investment made in its acquisition.

SECTION 4

Valuation Docket No. 737

Lake Charles & Northern Railroad Company

Location and general description of property.—The railroad of the Lake Charles & Northern Railroad Company, hereinafter called the Lake Charles & Northern, is a single-track, standard-gage, steam railroad, located in the southwestern part of Louisiana, the line forming a part of Atlantic System of the Southern Pacific Company. The owned mileage extends in a northerly direction from Lake Charles to De Ridder, La., a distance of 44.357 miles. The Lake Charles & Northern also owns and uses 14.242 miles of yard tracks and sidings. Its road thus embraces 58.599 miles of all tracks.

Capital stock and long-term debt.—The Lake Charles & Northern had outstanding, on date of valuation, a total par value of $1,048,300.11 in stock and long-term debt, of which $95,000 represented common stock and $953,300.11 nonnegotiable debt to affiliated companies.

Results of corporate operations.—For the period from October 25, 1908, to date of valuation, the aggregate railway operating expenses have been 58.4 per cent of the railway operating revenues. No dividends have been declared.

Original cost to date.—The original cost to date of all common-carrier property of the Lake Charles & Northern can not be ascertained, as the necessary records are not obtainable. Such information respecting actual expenditures as can be ascertained is stated in Appendix 2.

Investment in road and equipment.—The investment of the Lake Charles & Northern in road and equipment, including land, on date of valuation, is stated in its books as $931,146.89, of which $39,903.27, less an undetermined portion thereof assignable to offsetting items included in amounts recorded at $23,177.73, represents considerations other than money, the cash value of which at the time of the transaction we are not able to report, because it has been impossible to obtain the necessary information. Further information will be found in Appendix 2.

Cost of reproduction new and cost of reproduction less depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, owned and used by the Lake Charles & Northern, are $802,044 and $639,097, respectively. Its portions of jointly owned minor facilities are included in these amounts. These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are shown in summary sheet in Appendix 1.

Cost of lands, rights of way, and terminals at time of dedication to public use, and their present value.—The Lake Charles & Northern owns and uses for common-carrier purposes 604.93 acres of lands. The total original cost of these lands, as supported by the accounting records, is $6,433.70, from which should be deducted the unknown cost of parts of parcels sold for proceeds of $22.96. The present value of these lands is $59,468.

Rights in public domain.—The Lake Charles & Northern owns rights in public domain used for common-carrier purposes, the original cost of which, as supported by the accounting records, is $930. Their present value is the same amount.

Property held for purposes other than those of a common carrier.—The Lake Charles & Northern owns track material leased to the W. A. Brown Lumber Company of Bannister, La., the recorded value of which is $2,450.89.

Aids, gifts, grants of rights of way, and donations.—Of the lands owned by the Lake Charles & Northern and included in the preceding summary of lands owned and used for carrier purposes, 16.03 acres, with a present value of $5,642, were acquired through aids.

The Lake Charles & Northern reports that no aids, gifts, grants, or donations have been received by it, but the title to these lands was conveyed by deeds reciting merely nominal or no considerations, and as the records do not indicate that any actual payment was made in the acquisition of these lands, they are herein designated as apparent aids. We are not able to report their value at the time acquired.

The books of account record the receipt of $2,480.40 cash donations reimbursing the company for a portion of the expenditures incurred in the construction of industrial spurs. The amount is included in the investment in road and equipment account.

Material and supplies.—The records of the Lake Charles & Northern do not show any material and supplies on hand on date of valuation.

The investment in material and supplies, on date of valuation, as shown in the books of the United States Railroad Administration, covering the operation of the property of the Lake Charles & Northern, amounts to $13,512.71.

Final value.—After careful consideration of all facts herein contained, including appreciation, depreciation, going-concern value, working capital, and all other matters which appear to have a bearing upon the values here reported, the values, for rate-making purposes, of the property of the Lake Charles & Northern, owned or used, devoted by it to common-carrier purposes, are found to be as follows:

	Final value
Wholly owned and used	$755,000
Used but not owned, leased from Morgan's Louisiana and Texas Railroad and Steamship Company	1,000
Total owned	755,000
Total used	756,000

There are included in above statement the following amounts for working capital:

	Cash	Material and supplies	Total
Owned and used	$10,000	$25,000	$35,000
Used but not owned, owned by Morgan's Louisiana and Texas Railroad and Steamship Company		1,000	1,000

No other values or elements of value to which specific sums can now be ascribed are found to exist.

APPENDIX I

Lake Charles & Northern

Terminals.—The Lake Charles & Northern uses under agreement the freight and passenger terminals of the Louisiana Western Railroad Company at Lake Charles, La.

Traffic connections.—The Lake Charles & Northern has track connections with other carriers for the interchange of traffic as follows:

Connecting points	Carrier
Lake Charles, La	Louisiana Western Railroad Company. The Kansas City Southern Railway Company. St. Louis, Iron Mountain & Southern Railroad Company. Louisiana & Pacific Railway Company.
Fulton, La	New Orleans, Texas & Mexico Railway Company.
Bon Ami, La	The Kansas City Southern Railway Company.
De Ridder, La	Gulf, Colorado and Santa Fe Railway Company. The Kansas City Southern Railway Company. Louisiana & Pacific Railway Company.

Physical conditions affecting construction.—The country traversed is gently rolling upland. The fill across the Calcasieu River bottom subsided from 4 to 6 feet into the swamp. The country was originally timbered with long leaf yellow pine, much of which yet remains. The summers are hot and the winters mild.

Economic conditions relating to traffic.—The hauling of timber and timber products constitutes the principal business of the Lake Charles & Northern. There are a number of large sawmills located on the railroad, and several logging roads connect with it which transport logs to these mills.

Physical characteristics of road.—The maximum grade westbound is 1.12 per cent; eastbound it is 0.99 per cent. The maximum curvature is 7° 30′. The grading is very light, with but little classified material. The bridge over the Calcasieu River is a modern steel structure; the rest are pile bridges or timber culverts. The main tracks are laid with 56-pound to 80-pound relay Bessemer steel; the side tracks are laid with 35-pound to 80-pound relay. The ties are mostly hewn pine, oak, or cypress. The line is ballasted with common material except a small amount of cinders.

Equipment.—The Lake Charles & Northern owns and uses the following equipment:

Steam locomotives	2
Freight-train cars	2
Work equipment	3

Engineering and general expenditures.—Engineering has been estimated at 4 per cent on road accounts 3 to 47, inclusive. General expenditures, exclusive of interest, have been estimated on the basis of 1.5 per cent on road accounts 1 to 47, exclusive of account 2. Interest during construction has been estimated for one-half the construction period of 18 months, plus 3 months, at the rate of 6 per cent per annum on all road and general-expenditure accounts excepting accounts 2 and 76. Interest on equipment has been estimated for 3 months at 6 per cent per annum.

SUMMARY

Wholly owned and used, including Lake Charles & Northern's portion of jointly owned minor facilities

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$28,096	$28,096
3	Grading	158,762	158,762
6	Bridges, trestles, and culverts	141,618	95,999
8	Ties	74,726	41,099
9	Rails	153,707	138,014
10	Other track material	31,011	22,740
11	Ballast	2,001	1,302
12	Tracklaying and surfacing	64,649	50,426
13	Right-of-way fences	4,562	2,474
15	Crossings and signs	4,325	3,003
16	Station and office buildings	30,571	20,411
17	Roadway buildings	21,095	14,957
18	Water stations	5,668	3,936
20	Shops and engine houses	1,437	1,011
26	Telegraph and telephone lines	6,085	3,516
27	Signals and interlockers	300	240
37	Roadway machines	1,408	777
38	Roadway small tools	402	201
44	Shop machinery	83	50
	Total 1, and 3 to 47, inclusive	730,506	587,014
	II. EQUIPMENT		
51	Steam locomotives	9,326	5,258
53	Freight-train cars	1,350	743
57	Work equipment	5,178	1,612
	Total, 51 to 58, inclusive	15,854	7,613

Wholly owned and used, including Lake Charles & Northern's portion of jointly owned minor facilities—Continued

Account	Classes	Cost of reproduction new	Cost of reproduction, less depreciation
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	$10,958	$8,766
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	44,726	35,704
	Total, 71 to 77, inclusive	55,684	44,470
	Grand total, 1, and 3 to 77, inclusive	802,044	639,097

APPENDIX 2

LAKE CHARLES & NORTHERN

INTRODUCTORY

The Lake Charles & Northern is a corporation of the State of Louisiana having its principal office at New Orleans, La. On date of valuation the Lake Charles & Northern is controlled by the Southern Pacific Company through ownership of a majority of its outstanding capital stock. On the other hand, the company controls no common-carrier corporation. The property was operated by its own organization up to December 31, 1917, when its common-carrier property was taken over for operation by the United States Railroad Administration, which still operates it on date of valuation.

CORPORATE HISTORY

The Lake Charles & Northern was incorporated October 30, 1906, for a period of 50 years, under the general laws of Louisiana, the purpose being to own and operate a line of railroad between the towns of Lake Charles and De Ridder. The date of organization was October 30, 1906.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The Lake Charles & Northern acquired its road through purchase and construction as follows:

	Approximate mileage
By purchase from Louisiana and Pacific Railway Company under deed dated Feb. 21, 1908, standard-gage road between De Ridder and a point near Fulton	25.95
(Also a continuation of the grade, bridges, and culverts, for a narrow-gage track, for a distance of approximately 11.98 miles to a point near the present station of Newton, and right of way from the latter point to Lake Charles.)	
By construction, the Lake Charles & Northern completed (as standard gage) the 11.98 miles of partly constructed narrow-gage road described above and also extended the road a distance of approximately 6.42 miles to Lake Charles. This work was begun Oct. 31, 1906, and completed Oct. 25, 1908	18.40
Total	44.35

In the construction of the road built by the Lake Charles & Northern the work was done by its own forces.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records of the Lake Charles & Northern do not disclose that syndicating arrangements were made in connection with the issuance of its securities. Funds necessary for the purchase of property and for the construction of the road were obtained principally from the sale of capital stock and the issuance of notes.

Capital stock and long-term debt.—From the date of its incorporation, October 30, 1906, to date of valuation, the Lake Charles & Northern has issued capital stock and incurred nonnegotiable debt to affiliated companies, as indicated by its records, aggregating $1,048,300.11, all of which is actually outstanding, as summarized in the following table:

Classification	Originally issued	Actually outstanding
Capital stock, common, par value	$95,000.00	$95,000.00
Nonnegotiable debt to affiliated companies	953,300.11	953,300.11
Total	1,048,300.11	1,048,300.11

Capital stock.—The authorized capital stock is $700,000 par value, divided into shares of $100 par value each. Of this amount $95,000 was issued for cash at par.

Nonnegotiable debt to affiliated companies.—The Lake Charles & Northern incurred nonnegotiable debt to the Southern Pacific Company, classified as open accounts, in the amount of $953,300.11, none of which has been retired. The account reflects current transactions between the two companies.

Short-term notes.—The Lake Charles & Northern issued short-term notes amounting to $1,014,833.58, all of which have been retired on date of valuation. The considerations recorded as passed in connection with the issuance of these notes and the reacquirement thereof, are detailed as follows:

Par value	Consideration	Recorded value
Issued		
$716,498.27	Cash	$716,498.27
298,335.31	Settlement of interest on notes	298,335.31
1,014,833.58	Total	1,014,833.58
Reacquired and retired		
$1,014,833.58	Transferred to open account	1,014,833.58
1,014,833.58	Total	1,014,833.58

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of the Lake Charles & Northern and the United States Railroad Administration, are given separately on following page:

Income statement of the Lake Charles & Northern.—A condensed summary of the income accounts for the year ended on December 31, 1917, and for the period October 25, 1908, to date of valuation, follows:

	Year	Period
Operating income:		
Railway operating revenues	$275,743.52	$1,723,023.88
Railway operating expenses	130,422.38	1,006,001.41
Net revenue from railway operations	145,321.14	717,022.47
Railway tax accruals	5,535.36	14,896.74
Uncollectible railway revenues	17.09	148.70
Total	5,552.45	15,045.44
Railway operating income	139,768.69	701,977.03
Nonoperating income:		
Hire of equipment	99.36	1,544.91
Joint-facility rent income	7,891.08	55,239.63
Income from lease of road (U. S. Government)		37,022.18
Miscellaneous rent income	12.00	484.38
Miscellaneous nonoperating physical property	213.04	933.46
Income from funded securities		389.32
Income from unfunded securities and accounts	1,780.35	4,185.73
Miscellaneous income	14.50	43.00
Total	10,010.33	99,842.61
Gross income	149,779.02	801,819.64
Deductions from gross income:		
Hire of equipment	28,507.06	163,640.35
Joint-facility rents	16,725.40	115,707.56
Interest on funded debt	57,588.66	495,220.07
Interest on unfunded debt	46.04	
Total	102,867.16	774,567.98
Net income	46,911.86	27,251.66
Disposition of net income, income credit balance transferred to profit and loss	46,911.86	27,251.66

The profit and loss account of the Lake Charles & Northern includes delayed income credits and delayed income debits as grouped hereunder. If the amounts were included in the income statement for the period the credit balance transferable to the profit and loss account would be decreased by $80,212.83, or to become a debit balance of $52,961.17.

Class	Delayed income credits	Delayed income debits
Operating income:		
Deductible from railway operating revenues		$18,060.31
Addible to railway operating expenses		33,088.50
Deductible from railway operating expenses	$6,330.98	
Deductions from gross income, addible to deductions from gross income, other than rents paid and balance for hire of equipment		35,395.00
Total	6,330.98	86,543.81
Net debit		80,212.83

Profit and loss statement of the Lake Charles & Northern.—A condensed summary of the profit and loss accounts for the period October 25, 1908, to date of valuation follows:

Credits:	
Net credit balance transferred from income	$27,251.66
Profit on road and equipment sold	12.48
Delayed income credits	6,330.98
Unrefundable overcharges	755.53
Donations	2,490.40
Miscellaneous credits—	
Adjustment or cancellation of balance sheet accounts	1,387.24
Other miscellaneous credits	50.37
Total	38,278.66
Debits:	
Surplus appropriated for investment in physical property	1,967.48
Loss on retired road and equipment	573.88
Delayed income debits	86,543.81
Miscellaneous debits, adjustments or cancellations of balance sheet accounts	853.81
Total	89,938.98
Debit balance on date of valuation	51,660.32

Income statement of the United States Railroad Administration.—A condensed statement of the income accounts for the period January 1, 1918, to date of valuation, follows:

Operating income:	
Railway operating revenues	$140,687.24
Railway operating expenses	75,433.46
Net revenue from railway operations	65,253.78
Railway tax accruals	616.19
Uncollectible railway revenues	150.98
Railway operating income	64,486.61
Total operating income	64,486.61
Nonoperating income:	
Hire of equipment	269.13
Joint-facility rent income	4,001.85
Income from unfunded securities and accounts	62.55
Total nonoperating income	4,333.53
Gross income	68,820.14
Deductions from gross income:	
Hire of equipment	15,901.45
Joint-facility rents	7,016.08
Interest on funded debt	201.77
Total deductions from gross income	23,119.30
Net income	45,700.84
Disposition of net income, income credit balance transferred to profit and loss	45,700.84

Profit and loss statement of the United States Railroad Administration.—A condensed summary of the profit and loss accounts for the period January 1, 1918, to date of valuation, shows a net credit balance transferred from income of $45,700.84.

INVESTMENT IN ROAD AND EQUIPMENT

The investment in road and equipment, including land, on date of valuation, is stated in the books of the Lake Charles & Northern to be $931,146.89, of which the following is a general analysis:

Property purchased (part of the property of the Louisiana and Pacific Railway Company), recorded money outlay		$414,726.13
Construction and additions and betterments:		
Recorded money outlay—		
By the Lake Charles & Northern		499,382.45
By the United States Railroad Administration		312.77
Nonnegotiable debt, interest during construction		39,903.27
		954,324.62
Retirements:		
By the Lake Charles & Northern, road and equipment retired, credited at	$23,077.73	
By the United States Railroad Administration, property retired (road) credited at	100.00	
		23,177.73
Balance on date of valuation		931,146.89

This balance, so far as it is resolvable into its constituent elements, comprises the following classes of outlay:

Recorded money outlay	$914,421.35
Nonnegotiable debt, interest during construction	39,903.27
From which should be deducted such portion, not definitely ascertainable, as may be represented by road and equipment, credited at	23,177.73

ORIGINAL COST TO DATE

The original cost to date of the road and equipment, including land, owned by the Lake Charles & Northern and used for common-carrier purposes has not been definitely ascertained.

The actual amount or the nature of expenditures made by or for the Louisiana and Pacific Railway Company in constructing that part of its property which was subsequently purchased by the Lake Charles & Northern, consisting of 25.95 miles of standard-gage railroad purchased; the completion to standard gage of the 11.98 miles of partly completed narrow-gage road purchased, and the construction of 6.42 miles of additional road between Newton and Lake Charles, can not be definitely determined on account of insufficient detail in the records of the constructing company.

The obtainable data on the outlay by or for the Lake Charles & Northern in completing, as standard gage, the 11.98 miles of partly constructed narrow-gage road described above, in extending the road from a point near Newton into Lake Charles, and for improvements to the property as a whole, may be summarized as follows:

Recorded money outlay	$499,695.22
Interest computed on notes	39,903.27
From which should be deducted such portion, not definitely ascertainable, as may be represented by road and equipment retired, credited at	23,177.73

Cost of lands.—The Lake Charles & Northern reports amounts aggregating $7,376.95 as the outlays by it in connection with lands and rights owned or used by it, and that the proceeds from the sale of parts of parcels of such lands aggregate $22.96. A verification of the amounts indicates that the reported outlays should be reduced by $13.25, covering estimated miscellaneous, incidental, and attendant costs.

The returns include certain lands for which nominal considerations only are reported; certain lands for which no consideration is shown in the deed; certain land acquired through exchange of other land; certain lands for which there is no reference to evidence of title; certain highway crossings and streets, vacated to the Lake Charles & Northern by municipalities without reported considerations; and certain lands acquired as part of road purchased but for which the costs are unknown.

The amounts reported by the Lake Charles & Northern as costs for the remaining lands owned, after making the change noted above, are made up of costs supported by accounting records. These amounts, and the proceeds from parts of parcels sold, both classified according to the classification herein of the lands, to which they apply, are summarized as follows:

Classification	Costs supported by accounting records
Lands classified as carrier:	
Owned and used	$6,433.70
Parts of parcels reported by the Lake Charles & Northern as sold (the cost of which is not included above) for proceeds of	22.96
Rights in public domain classified as carrier, franchise for use of street	930.00

Cost of machinery and equipment.—The Lake Charles & Northern reports that it owns and uses 7 units of equipment, 15 roadway machines, and certain machinery, with costs aggregating $13,837. After classifying the returns according to the classification herein of the property to which they apply, the returns are summarized as follows:

Classification	Units	Costs supported by accounting records	Amounts estimated by the company or otherwise not supported by accounting records
Machinery:			
Roadway machines	15	$1,284	$123
Shop machinery			82
Total		1,284	205
Equipment:			
Steam locomotives	2	8,000	1,326
Freight-train cars	2	1,164	246
Work equipment	3	1,612	
Total	7	10,776	1,572

MISCELLANEOUS PHYSICAL PROPERTY

The balance in the miscellaneous physical property account of the Lake Charles & Northern on date of valuation is $2,450.89, consisting of recorded cost of track material leased to W. A. Brown Lumber Company of Bannister, La. The consideration recorded as given in exchange for this track material was cash.

LEASED RAILWAY PROPERTY

The Lake Charles & Northern used on December 31, 1917, facilities owned by other companies and other companies used facilities owned by the Lake Charles & Northern to the extent indicated in the statement below. The description of the property, the period and terms of use and the rentals accrued and charged or credited to income for the year ending on date of valuation, are as follows:

	Rentals
Solely owned, but jointly used, used with—	
Louisiana & Pacific Railway Company, tracks, 44.35 miles, from De Ridder to Lake Charles; 25 cents per train-mile for use of track and $100 per month for Lake Charles agency; 60 per cent of station and administration expenses and 25 cents per car for switching to other lines	$4, 838. 28
Missouri and Louisiana Railroad Company (lessor of the Neame, Carson & Southern Railroad Company), tracks, 12.25 miles, from C. C. Junction to Longville; $1 per train-mile of loaded movements; 60 cents per train-mile of empty movements	2, 648. 37
Gulf, Colorado and Santa Fe Railway Company, terminal facilities at De Ridder; 1¾ per cent on valuation plus additions and betterments; one-third of maintenance and operation	359. 81
New Orleans, Texas & Mexico Railway Company, facilities at Fullerton, La.; 2.5 per cent on valuation plus additions; one-half of taxes, insurance, maintenance, and operation	44. 52
Jointly used, but not owned, owned by—	
Louisiana Western Railroad Company, terminal facilities and tracks, 1.02 miles at Lake Charles; $400 per month	684. 00
Louisiana & Pacific Railway Company, shop and roundhouse facilities at De Ridder, $30 per month interest rental based on valuation; 50 per cent of expenses; 40 per cent of salary of master mechanic and clerk	307. 50
Gulf, Colorado and Santa Fe Railway Company, lessee of the Jasper and Eastern Railway Company, tracks 20.79 miles, and certain facilities between De Ridder and Nitram; 2.5 per cent on valuation plus additions and betterments; one-half of taxes, insurance, and assessments; maintenance and operation on basis of car mileage	11, 412. 54
The Gulf & Sabine River Railroad Company, tracks, 6.40 miles from Nitram to Fullerton; Lake Charles & Northern to pay grantor its full "arbitrary" for each passenger carried based on agreed rates	4, 321. 36

GENERAL BALANCE SHEET STATEMENTS

The general balance sheet statement of the Lake Charles & Northern, as of date of valuation, follows:

ASSETS

Investments:	
Investment in road and equipment	$931, 146. 89
Miscellaneous physical property	2, 450. 89
Total	933, 597. 78

Current assets:	
Cash	$212. 17
Loans and bills receivable	2, 673. 39
Miscellaneous accounts receivable	6, 908. 69
Rents receivable	37, 022. 18
Other current assets	90. 00
Total	46, 906. 43
Deferred assets, other deferred assets	57, 607. 20
Unadjusted debits, other unadjusted debits	5, 378. 02
Grand total	1, 043, 489. 43

LIABILITIES

Stock, capital stock	95, 000. 00
Long-term debt, open accounts	953, 300. 11
Current liabilities:	
Traffic and car-service balances payable	3. 15
Audited accounts and wages payable	127. 10
Miscellaneous accounts payable	306. 46
Other current liabilities	*Dr. 221. 00*
Total	215. 71
Deferred liabilities, other deferred liabilities	32, 284. 15
Unadjusted credits:	
Tax liability	*Dr. 7, 505. 24*
Insurance and casualty reserves	1, 794. 44
Accrued depreciation, equipment	7, 200. 30
Other unadjusted credits	10, 892. 80
Total	12, 382. 30
Total liabilities	1, 093, 182. 27
Corporate surplus, additions to property through income and surplus	1, 967. 48
Total appropriated surplus	1, 967. 48
Profit and loss, debit balance	*51, 660. 32*
Total	*49, 692. 84*
Grand total, after deducting deficit	1, 043, 489. 43

The general balance sheet statement of the United States Railroad Administration, as of date of valuation, covering operation of the property of the Lake Charles & Northern, follows on next page.

ASSETS

Investments, advances	$40, 358. 10
Total investments	40, 358. 10
Current assets:	
Cash	19, 284. 44
Net balance receivable from agents and conductors	2, 313. 67
Miscellaneous accounts receivable	29, 974. 61
Material and supplies	13, 512. 71
Other current assets	*Cr. 82. 50*
Total current assets	65, 002. 93
Deferred assets, other deferred assets	32, 357. 67
Total deferred assets	32, 357. 67
Unadjusted debits:	
Rents and insurance premiums paid in advance	1. 00
Other unadjusted debits	7, 167. 24
Total unadjusted debits	7, 168. 24
Grand total	144, 886. 94

LIABILITIES

Long-term debt, open accounts	201. 77
Total long-term debt	201. 77
Current liabilities:	
Audited accounts and wages payable	17, 440. 00
Miscellaneous accounts payable	14, 208. 81
Other current liabilities	272. 01
Total current liabilities	31, 920. 82
Deferred liabilities, other deferred liabilities	57, 605. 73
Total deferred liabilities	57, 605. 73
Unadjusted credits:	
Tax liability	574. 76
Insurance and casualty reserves	*Dr. 2, 508. 15*
Operating reserves	4, 746. 78
Accrued depreciation, equipment	167. 70
Other unadjusted credits	6, 476. 69
Total unadjusted credits	9, 457. 78
Profit and loss, credit balance	45, 700. 84
Total surplus	45, 700. 84
Grand total	144, 886. 94

SECTION 5

Valuation Docket No. 750

The Direct Navigation Company

Location and general description of property.—The direct Navigation Company owns no railroad, but is engaged exclusively in water transportation between Houston, Tex., and ports on the Gulf of Mexico. The property owned consists of floating equipment, wharves, loading platforms, warehouses, and other buildings, all located within Texas.

Capital stock and long-term debt.—The Direct Navigation Company had actually outstanding, on date of valuation, a total par value of $490,635.73 in stock and long-term debt, of which $50,700 represented common stock, $100,000 funded debt, and $339,935.73 nonnegotiable debt to affiliated companies.

In addition, the United States Railroad Administration has received, in connection with its operation of the property of The Direct Navigation Company, advances totaling $12,724.97 from the Southern Pacific Company.

Results of corporate operations.—For the period from August 1, 1896, to date of valuation, the aggregate water-line operations expenses have been 101.08 per cent of the water-line operations revenues. The records reviewed indicate that no dividends have been paid.

Original cost to date.—The original cost to date of all common-carrier property of The Direct Navigation Company can not be ascertained, as the necessary records are not obtainable. Such information respecting actual expenditures as can be ascertained is stated in Appendix 2.

Investment in real property and equipment.—The investment in real property and equipment, on date of valuation, is stated in the books of The Direct Navigation Company as $152,790.41, detailed in Appendix 2, of which $140,000, less an undetermined portion thereof assignable to offsetting items recorded at $128,026.23, represents the par value of capital stock and long-term debt, the money value of which at the time of the transaction we are not able to report, because it has been impossible to obtain the necessary information. There may be included in the amount above stated some or all of the cost of the noncarrier lands owned.

Cost of reproduction new and cost of reproduction less depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, owned or used by The Direct Navigation Company, are as shown on following page:

Classification	Cost of reproduction new	Cost of reproduction less depreciation
Wholly owned and used	$186,287	$121,830
Wholly used but not owned, leased from the Morgan's Louisiana and Texas Railroad and Steamship Company	15,538	8,701
Total owned	186,287	121,830
Total used	201,825	130,531

These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are shown in summary sheets in Appendix 1. Information as to the character of the property used but not owned will be found in Appendix 2, under leased railway property.

Cost of land, rights of way and terminals at time of dedication to public use, and their present value.—All of the common-carrier lands used by The Direct Navigation Company are leased by it from other carriers. The area and present values of the carrier lands used are found to be as follows:

Classification	Acres	Present value
Used but not owned, leased from—		
Houston & Texas Central Railroad Company	0.86	$30,000
Texas and New Orleans Railroad Company	7.90	5,530
Total used	8.76	35,530

Property held for purposes other than those of a common carrier.—The Direct Navigation Company owns and holds for noncarrier purposes 0.33 acre of land, all in Texas. The total original cost of lands classified as noncarrier can not be ascertained, as the necessary records are not obtainable, but data that are obtainable on their original cost will be found in Appendix 2. Their present value is $37,146.

On date of valuation The Direct Navigation Company has no recorded investment in the securities of other companies. The United States Railroad Administration, however, has a balance of $1,880 due from employees for the unpaid part of their subscriptions for Liberty bonds with a par value of $2,650.

Aids, gifts, grants of rights of way, and donations.—The Direct Navigation Company reports that no aids, gifts, or grants have been received by it or its predecessors, and none was found of record.

Material and supplies.—The Direct Navigation Company has no material and supplies on hand on date of valuation. Neither do the books of the United States Railroad Administration, covering the

operation of the property of The Direct Navigation Company, show material and supplies on hand on date of valuation.

Final value.—After careful consideration of all facts herein contained, including appreciation, depreciation, going-concern value, working capital and all other matters which appear to have a bearing upon the values here reported, the values, for rate-making purposes, of the property of The Direct Navigation Company, owned or used, devoted by it to common-carrier purposes, are found to be as follows:

	Final value
Wholly owned and used	$138,500
Used but not owned, leased from—	
Morgan's Louisiana and Texas Railroad and Steamship Company	9,000
Houston & Texas Central Railroad Company	30,000
Texas and New Orleans Railroad Company	6,530
Total	45,530
Total owned	138,500
Total used	184,030

There are included in the above statement the following amounts for working capital:

	Cash	Material and supplies	Total
Owned and used	$10,000		$10,000
Used but not owned, owned by Texas and New Orleans Railroad Company		$1,000	1,000

No other values or elements of value to which specific sums can now be ascribed are found to exist.

APPENDIX 1

The Direct Navigation Company

Equipment.—The Direct Navigation Company owns and uses four tugs and eight barges and leases one tug from the Morgan's Louisiana and Texas Railroad and Steamship Company. It also owns three units of work equipment.

Engineering and general expenditures.—Engineering has been estimated at 4 per cent on road accounts 3 to 47, inclusive. General expenditures, exclusive of interest, have been estimated at 1.5 per cent on road accounts 1 to 47, exclusive of account 2. Interest during construction has been estimated at 6 per cent per annum for four months, the construction period, on all road and general-expenditures accounts, except accounts 2 and 76. Interest on equipment has been estimated for three months at 6 per cent per annum.

SUMMARIES

Wholly owned and used

Account	Classes	Cost of reproduction, new	Cost of reproduction, less depreciation
	I. ROAD		
1	Engineering	$1,709	$1,709
16	Station and office buildings	12,182	6,912
20	Shops and engine houses	6,820	5,457
23	Wharves and docks	5,697	4,559
44	Shop machinery	11,682	6,376
	Total, 1, and 3 to 47, inclusive	44,440	28,058
	II. EQUIPMENT		
56	Floating equipment	129,702	84,217
57	Work equipment	8,503	7,199
	Total, 51 to 58, inclusive	138,205	91,416
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	667	420
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	2,975	1,936
	Total, 71 to 77, inclusive	3,642	2,356
	Grand total, 1, and 3 to 77, inclusive	186,287	121,830

Wholly used but not owned, leased from the Morgan's Louisiana and Texas Railroad and Steamship Company

Account	Classes	Cost of reproduction, new	Cost of reproduction, less depreciation
	II. EQUIPMENT		
56	Floating equipment	$15,308	$8,572
	III. GENERAL EXPENDITURES		
76	Interest during construction	230	129
	Grand total, 1, and 3 to 77, inclusive	15,538	8,701

APPENDIX 2

The Direct Navigation Company

INTRODUCTORY

The Direct Navigation Company is a corporation of the State of Texas, havina its principal office at Houston, Tex. It is controlled by the Morgan's Louisiang and Texas Railroad and Steamship Company, through ownership of a majority of the outstanding capital stock. That company is in turn controlled by the Southern Pacific Company. The Direct Navigation Company operated its own property from August 1, 1896, to December 31, 1917. On January 1, 1918, the common-carrier property of the company was taken over for operation by the United States Railroad Administration, which still operates it on date of valuation.

CORPORATE HISTORY

The Direct Navigation Company was incorporated July 4, 1896, for a period of 50 years, under the general laws of the State of Texas. The purpose for which it was incorporated was to own and operate steamships and vessels and to navigate them "between all parts of the globe and on rivers." In carrying out that purpose the company purchased the property of the Houston Direct Navigation Company, incorporated under a special act of Texas passed October 9, 1866, whose charter was about to expire. The other predecessor company was the Texas Navigation Company, incorporated under a special act of Texas approved October 11, 1866, and merged with The Houston Direct Navigation Company on May 22, 1867.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The Direct Navigation Company purchased from The Houston Direct Navigation Company tugs and barges, which were the principal part of its investment; land, buildings, machinery, and miscellaneous other property. The additions and betterments consist of the purchase of five steel barges, one tug, one gasoline launch, and one locomotive crane; the purchase and reconstruction of one barge; and the reconstruction of two barges, a houseboat, and the marine ways at Clinton. There have been, on the other hand, losses of equipment from wrecks and by condemnation or sale.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records of the company do not indicate that syndicating arrangements were made in connection with the issuance of its securities. It was arranged that The Direct Navigation Company should pay The Houston Direct Navigation Company for its property $10,000 in cash, $40,000 in capital stock, and a note of $100,000. Purchases of new equipment and settlements of operating deficits were made from funds supplied by the Southern Pacific Company.

Capital stock and long-term debt.—From the date of its incorporation, July 4, 1896, to date of valuation, The Direct Navigation Company issued capital stock and funded debt and incurred nonnegotiable debt to affiliated companies, as indicated by its records, aggregating $490,635.73, all of which were actually outstanding on date of valuation, as summarized in the following table:

Class	Issued and actually outstanding
Capital stock, par value, common	$50,700.00
Funded debt, par value, note	100,000.00
Nonnegotiable debt to affiliated companies	339,935.73
Total	490,635.73

Capital stock.—The authorized capital stock of the company is $100,000 par value, divided into shares of $100 par value each, and classed as common stock. A total par value of $50,700 has been issued and is outstanding, of which $10,700 par value was issued for cash in the same amount and $40,000 par value as part payment for the property of The Houston Direct Navigation Company.

Funded debt.—The company issued a note dated August 1, 1896, due August 1, 1936, bearing interest at 5 per cent, and secured by a mortgage covering all the property of the company. The note was given at par in part payment of the

property of The Houston Direct Navigation Company and was outstanding on date of valuation.

Nonnegotiable debt to affiliated companies.—On date of valuation there was $339,936.73 due the Southern Pacific Company in open account, made up as follows:

Advances to The Direct Navigation Company of amounts used for making improvements or settling expenses of operation	$272,939.35
Interest accrued on balances	66,996.38
Total	339,935.73

The United States Railroad Administration, in connection with its operation of the property of The Direct Navigation Company, was indebted to the Southern Pacific Company in the amount of $12,724.97.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of The Direct Navigation Company and the United States Railroad Administration, are given below.

Income statement.—A condensed summary of the income accounts of the Direct Navigation Company for the year ending December 31, 1917, and for the period from August 1, 1896, to December 31, 1917, follows:

	Year	Period
Water line operating income:		
Water line operations, revenues	$166,417.86	$2,624,045.01
Water line operations, expenses	155,504.33	2,655,777.73
Net revenue from water line operations	10,913.53	
Net deficit from water line operations		31,732.72
Water line tax accruals	1,426.34	37,953.22
Water line operating income	9,487.19	
Water line operating loss		69,685.94
Other income:		
Miscellaneous rent income	325.00	15,366.75
Income from unfunded securities and accounts	6.99	16,757.53
Miscellaneous income		5,044.22
Total	331.99	37,168.50
Gross income	9,819.18	
Gross loss		32,517.44
Deductions from gross income:		
Miscellaneous rents	1,134.89	3,030.47
Interest on funded debt	22,340.74	180,835.01
Miscellaneous fixed charges		3,477.09
Total	23,475.63	187,342.57
Net loss	13,656.45	219,860.01
Income balance transferred to debit of profit and loss	13,656.45	219,860.01

The profit and loss account of The Direct Navigation Company includes a delayed income debit of $35,127.23. If that amount were included in the income statement for the period as an item addible to operating expenses, the debit balance transferable to profit and loss account would be increased to $254,987.24.

The income statement of The Direct Navigation Company and of the United States Railroad Administration for the period from January 1, 1918, to date of valuation, is given on opposite page.

	The Direct Navigation Company	United States Railroad Administration
Water line operating income:		
Water line operations, revenues		$60,616.21
Water line operations, expenses		76,664.81
Net deficit from water line operations		16,048.60
Water line tax accruals		708.00
Water line operating loss		16,756.60
Other income, miscellaneous rent income	$150.00	
Gross income	150.00	
Gross loss		16,756.60
Deductions from gross income:		
Miscellaneous rents	724.49	
Interest on funded debt	12,468.15	
Maintenance of organization, lessor companies	30.00	
Total	13,222.64	
Net loss	13,072.64	16,756.60
Income balance transferred to debit of profit and loss	13,072.64	16,756.60

Profit and loss statement of The Direct Navigation Company.—A condensed summary of the profit and loss accounts for the period from August 1, 1896, to date of valuation, follows:

Debits:		
Net debit balance transferred from income—		
Period ending Dec. 31, 1917	$219,860.01	
Period from Jan. 1, 1918, to date of valuation	13,072.64	
		$232,932.65
Real property and equipment debits—		
Loss on marine ways at Clinton, Tex	11,245.98	
Loss on equipment retired	52,785.81	
		64,031.79
Delayed income debits, adjustment of depreciation to June 30, 1914		35,127.23
Miscellaneous debits		2,839.35
Total		334,931.02
Credits, miscellaneous credits		1,208.19
Debit balance on date of valuation		333,722.83

Profit and loss statement of the United States Railroad Administration.—The profit and loss account of the United States Railroad Administration for the period from January 1, 1918, to date of valuation, follows:

Credits, miscellaneous credit	$1.10
Debits, debit balance transferred from income account	16,756.60
Debit balance on date of valuation	16,755.50

INVESTMENT IN REAL PROPERTY AND EQUIPMENT

The investment of The Direct Navigation Company in real property and equipment, on date of valuation, is stated in its books as $152,790.41, of which the following is a general analysis:

Property purchased from The Houston Direct Navigation Company:		
Recorded money outlay	$10,000	
Outlay in securities at par—		
Capital stock	$40,000	
Long-term note	100,000	
	140,000	
		$150,000.00
Additions and betterments:		
Recorded money outlay by or for The Direct Navigation Company		130,816.64
Total of the above items		280,816.64
Retirements, equipment recorded at		128,026.23
Total recorded as of date of valuation		152,790.41

ORIGINAL COST TO DATE

The original cost to date of the real property and equipment owned by The Direct Navigation Company and used for common-carrier purposes has not been definitely ascertained. Nothing has been ascertained respecting the nature or the cost of the property owned by the Texas Navigation Company when it was merged with The Houston Direct Navigation Company. For creating and improving the remaining real property and equipment and for additions and betterments to the entire property the data obtained are as follows:

Recorded money outlay:		
The Houston Direct Navigation Company	$114,376.27	
The Direct Navigation Company	130,816.64	
		$245,192.91
Outlay in securities at par, The Houston Direct Navigation Company		150,000.00
From which should be deducted, such portions, not definitely determinable, as represent property retired at recorded amounts as follows:		
The Houston Direct Navigation Company	26,776.62	
The Direct Navigation Company	128,026.23	
		154,802.85

The above outlays may include some or all of the undetermined cost of certain lands classified herein as noncarrier lands, and an undeterminable amount of that part of the costs of property abandoned, sold, or destroyed that is in excess of the credits made to the accounts for salvage, proceeds from sale, and loss from such property. Data bearing in the cost of the above noncarrier lands are stated in the section of this chapter that is devoted to cost of lands.

Cost of lands.—The Direct Navigation Company reports amounts aggregating $3,331.50 as the outlays by itself and its predecessors in connection with lands owned by it, all of which are classed as noncarrier. We have excluded certain

privately owned lands upon which The Direct Navigation Company has constructed cotton chutes, etc. This change, however, does not affect the total of $3,331.50 reported, all of which represents amounts not supported by accounting records.

In addition there have been inventoried to The Direct Navigation Company, as used but not owned, certain lands owned by the Houston & Texas Central Railroad Company and the Texas and New Orleans Railroad Company.

Cost of machinery and equipment.—The Direct Navigation Company reports that it owns and uses 16 units of equipment and certain machinery, with costs aggregating $146,749. A verification of the returns indicates that the number of units of equipment should be reduced by one, and that the costs should be reduced by $500, representing a barge not inventoried on account of scrap condition.

After making the changes noted above, and classifying the returns according to the classification herein of the property to which they apply, the revised returns are summarized as follows:

Classification	Units	Costs supported by accounting records	Amounts estimated by The Direct Navigation Company or otherwise not supported by accounting records
Machinery		$1,174	$9,334
Equipment:			
Floating equipment	12	122,756	2,653
Work equipment	3	10,126	206
Total	15	132,882	2,859

The information as to the original cost of the equipment used under lease is given in the report on the owning company.

IMPROVEMENTS ON PROPERTY HELD UNDER LEASE

The following structures are on leased ground, but separation of their costs from the costs of the other investments of The Direct Navigation Company has not been maintained.

Owner of land	Structures
Houston & Texas Central Railroad Company	Cotton platform, warehouse, wharf, boat landing, etc., on Buffalo Bayou, Houston, Tex.
The Texas and New Orleans Railroad Company	Marine ways and shipyards at Clinton, Tex.

MISCELLANEOUS PHYSICAL PROPERTY

The accounts of The Direct Navigation Company do not record any investment in miscellaneous physical property on date of valuation. However, all the lands owned by The Direct Navigation Company have been classified herein as noncarrier lands. A summary of the costs reported by The Direct Navigation Company as applying thereto is stated in the chapter on original cost to date.

LEASED CARRIER PROPERTY

On January 1, 1918, the common-carrier property of The Direct Navigation Company was taken over for operation by the United States Railroad Administration, which still operates it on date of valuation. The Direct Navigation

Company used facilities owned by other companies on December 31, 1917, as indicated in the statement below. The description of the property, the period and terms of use, and the rentals paid during the year ending December 31, 1917, are as follows:

Solely used but not owned, leased from—	Rentals
Houston & Texas Central Railroad Company, ground on north side of Buffalo Bayou occupied by warehouse, wharf, etc.; annual rental; agreement expires on 30 days' notice	$1,125
Texas and New Orleans Railroad Company, ground at Clinton for shipyard, 6.5 acres more or less; annual rental; agreement expires on 30 days' notice	12
Morgan's Louisiana and Texas Railroad and Steamship Company, 1 tug boat; terms of use and rental not determined.	

GENERAL BALANCE SHEET STATEMENTS

The general balance sheet statement of The Direct Navigation Company, as of date of valuation follows:

ASSETS

Investments:	
Investment in real property and equipment	$152,790.41
Reserves for accrued depreciation—Cr.	*33,050.65*
Net investment	119,739.76
Working assets and accrued income:	
Cash	2,625.00
Miscellaneous accounts receivable	7,747.86
Other working assets	52,804.64
Total	63,177.50
Deferred debits:	
Temporary advances—Cr.	*29.75*
Other deferred debits	6,505.17
Net total	6,475.42
Grand total	189,392.68

LIABILITIES

Stock, capital stock	50,700.00
Long-term debt, unmatured funded debt	100,000.00
Working liabilities and accrued liabilities:	
Audited expenses and wages payable	73.55
Working advances owed to other companies	339,935.73
Other working liabilities	18,351.66
Unmatured dividends, interest, and rents payable	2,083.32
Total	360,444.26
Deferred credits, other deferred credits	11,971.25
Total liabilities	523,115.51
Corporate surplus, profit and loss, debit balance	*333,722.83*
Grand total, after deducting deficit	189,392.68

The general balance sheet statement of the United States Railroad Administration, as of date of valuation, covering operation of the property of The Direct Navigation Company, follows:

ASSETS

Investments:	
Reserves for accrued depreciation, credit	*$1,415.36*
Miscellaneous investment	1,880.00
Net total	464.64
Working assets and accrued income:	
Cash	25,579.58
Net balance due from agents, pursers, and stewards	1,920.98
Miscellaneous accounts receivable	14,771.26
Other working assets	18,351.66
Total	60,623.48
Deferred debits, other deferred debits	1,125.71
Grand total	62,213.83

LIABILITIES

Working liabilities and accrued liabilities:	
Audited vouchers and wages unpaid	3,394.53
Miscellaneous accounts payable	6,774.78
Working advances owed to other companies	12,724.97
Other working liabilities	52,762.41
Taxes accrued	658.00
Total	76,314.69
Working credits, other deferred credits	2,654.64
Total liabilities	78,969.33
Corporate surplus, profit and loss, debit balance	*16,755.50*
Grand total, after deducting deficit	62,213.83

Predecessor Companies

The Houston Direct Navigation Company—Predecessor of The Direct Navigation Company

INTRODUCTORY

This company was a Texas corporation. On August 1, 1896, when its property exclusive of current assets, was sold to The Direct Navigation Company, it was controlled by the Morgan's Louisiana and Texas Railroad and Steamship Company.

For the period prior to January, 1887, only a part of the records of the company have been located. Certain information with respect to the corporate history from June 1, 1866, was obtained from a minute book, but for other sections of the report information beginning with the year 1887 is all that could be obtained.

From November 1, 1885, to December 31, 1891, the property of the company was operated by the Southern Pacific Company as part of the property of the Morgan's Louisiana and Texas Railroad and Steamship Company, under lease. The records of the company do not reflect the receipt of any rental for that period. From January 1, 1892, to September 30, 1894, the property of the company was operated by the Morgan's Louisiana and Texas Railroad and Steamship Company for account of the owner, and from October 1, 1894, to July 31, 1896, the company operated its own property.

The property of the company consisted, on date of demise, of tugs and barges on Buffalo, Bayou and Galveston Bay, with termini at Houston and Galveston, Tex.

CORPORATE HISTORY

The company was incorporated by a special act of the Legislature of Texas passed October 9, 1866, at the instance of stockholders of an unchartered company called the Galveston & Houston Steam Navigation Company. The Direct Navigation Company reports that no records of that company are in its possession.

The stockholders of the Galveston & Houston Steam Navigation Company, at a meeting on June 1, 1866, resolved on a change of name to The Houston Direct Navigation Company; on an increase of capital stock to $150,000; and on acceptance by the latter of property of the former at a value in gold, to be arrived at through an appraisal. Application was made to the legislature for a charter, and this when granted recognized as legal the organization already affected by The Houston Direct Navigation Company. By a supplemental act, approved November 12, 1866, the life of the company was fixed at 30 years, to date from October 9, 1866. The charter expired by limitation, on October 9, 1896.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The physical property of the company, on date of demise, consisted pricipally of barges, tugs, and other floating equipment. The remainder was made up of wharves, warehouses, cotton chutes, hoisting machinery, etc. The records of the company being incomplete, the date and manner of acquisition of each unit can not be ascertained.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records do not indicate that any syndicating arrangements were made in connection with the issuance of securities.

On April 19, 1867, the stockholders of The Houston Direct Navigation Company and those of the Texas Navigation Company approved a plan for the consolidation of their properties under the charter of the first-named company. Stock of the first-named company was to be issued to the stockholders of both companies in proportion to their respective interests in the combined properties as appraised. In the minute book of The Houston Direct Navigation Company the receipt of a conveyance of all properties of the Texas Navigation Company is recorded. Merger of the two companies was effective as of May 22, 1867, but neither the articles of consolidation, nor a State record of their filing, have been located.

Capital stock.—The records in connection with financing the company do not cover its whole history. On August 1, 1896, there was outstanding capital stock of $150,000 par value. The dates of issue and the actual considerations received for the stock have not been ascertained.

The charter fixed the capital stock at $150,000, divided into shares with a par value of $500 each, but permitted an increase to $1,000,000 whenever required by the increasing demands of commerce. The amount of stock originally issued and the increase, if any, in the amount because of the merger with the Texas Navigation Company have not been ascertained. The minutes of March 29, 1870, record a resolution instructing the president of the company to have issued pro rata to the then stockholders sufficient stock to bring the total issues to $150,000. The conditions are not stated, but the distribution was to take effect as of April 1, 1870.

The company on January 3, 1887, recorded its capital stock issues at $150,000 and charged the same amount to its investment in real property and equipment account. When the property was sold to The Direct Navigation Company the stock was surrendered by the Morgan's Louisiana and Texas Railroad and Steamship Company and canceled.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations prior to November 1, 1885, are not of record. The results of corporate operations beginning with that date, as shown in the income and profit and loss accounts of the company, are given below.

Income statement.—A condensed summary of the income accounts for the period from November 1, 1885, to the date of demise, follows:

Water line operating income:	
Water line operations, revenues	$627,442.23
Water line operations, expenses	506,109.31
Net revenue from water line operations	121,332.92
Water line tax accruals	9,466.29
Water line operating income	111,866.63
Other income	2,154.10
Gross income	114,020.73
Deductions from gross income	3,033.09
Net income	110,987.64
Income balance transferred to credit of profit and loss	110,987.64

Profit and loss statement.—A condensed summary of the profit and loss account for the period from November 1, 1885, to the date of demise, follows:

Credits:	
Credit balance transferred from income	$110,987.64
Miscellaneous credits	49,802.95
Credit balance on the date of demise	160,790.59

INVESTMENT IN REAL PROPERTY AND EQUIPMENT

The investment of The Houston Direct Navigation Company in real property and equipment, on the date of demise, was stated in its books as $237,599.65. This account was opened on January 3, 1887, and may be summarized as follows:

Outlay in securities, capital stock at par	$150,000.00
Recorded money outlay during the period from Jan. 3, 1887, to the date of demise	114,376.27
Total of above items	264,376.27
Less property sold or retired, recorded at	26,776.62
Total recorded as of date of demise	237,599.65

On December 10, 1884, a committee or appraisal had placed a value of $72,499 on the property. This value was on January 2, 1887, used as the general basis for entering on the books a statement of the company's investment at $77,759.70. On January 3, 1887, the company increased its investment in real property and equipment to the amount of its outstanding capital stock, an increase of $72,240.30.

INVESTMENTS IN OTHER COMPANIES

The company recorded, on January 3, 1887, an amount of $48,400.20 under the title of the "Houston and Texas Central Railway Company Loan Account." Of this amount $48.40 was collected, and the remainder, after the sale of the company's property on August 1, 1896, was written off as uncollectible.

TEXAS NAVIGATION COMPANY—PREDECESSOR OF THE HOUSTON DIRECT NAVIGATION COMPANY

The Texas Navigation Company was a corporation of the State of Texas, incorporated under a special act of the Legislature of Texas, approved October 11, 1866, and to continue in force for 25 years, but not longer. The capital stock was fixed at $500,000, divided into shares of $500 par value each. On or about May 22, 1867, the properties of the company were merged with those of The Houston Direct Navigation Company. Such data as have been obtained have been given under that company. Nothing has been ascertained respecting the nature or cost of the property owned by the company when the merger took place, nor of the amount of outstanding capital stock or the considerations for which it had been issued.

SECTION 6

Valuation Docket No. 756

Texas and New Orleans Railroad Company

Location and general description of property.—The railroad of the Texas and New Orleans Railroad Company, herein called the Texas and New Orleans, is a standard-gage, steam railroad, located entirely within Texas. The road is single track except for 8.741 miles, which is double track. The main line extends east from Houston to the Texas-Louisiana State line at the Sabine River, connecting there with the Louisiana Western Railroad Company, and forming an important link in the Southern Pacific System's transcontinental route from New Orleans to San Francisco. The principal branch lines extend from Beaumont to Dallas, and from Beaumont to tidewater at Port Arthur and Sabine. Minor branches extend from Gallatin to Rusk, Rockland to Turpentine, Nome to Sour Lake, West Port Arthur to Port Arthur and Houston to Clinton. The branch line from Beaumont to Dallas consists of two disconnected sections. The gap of 3.58 miles between Dorr Junction and Bonita Junction is bridged by means of trackage rights over the line of The Houston East and West Texas Railway Company.

The Texas and New Orleans wholly owns and uses 471.961 miles of first main track, 8.741 miles second main track, and 206.372 miles yard tracks and sidings. Its road thus embraces 687.074 miles of all

tracks wholly owned, all of which it uses. In addition, it jointly owns and uses with other carriers an undivided interest in 0.442 mile of yard tracks and sidings. The Texas and New Orleans' portion of these tracks, if divided on the basis of ownership, would be 0.221 mile. For further details as to jointly owned mileage see summaries by accounts in Appendix 1.

Capital stock and long-term debt.—The Texas and New Orleans had outstanding, on date of valuation, a total par value of $18,233,878.92 in stock and long-term debt, of which $5,000,000 represented common stock, $10,021,111.72 funded debt, and $3,212,767.20 nonnegotiable debt to affiliated companies. In addition, the United States Railroad Administration has incurred nonnegotiable debt in its operation of the property of the Texas and New Orleans, of which $375,944.79 is owing on date of valuation.

Results of corporate operations.—For the period from March 1, 1885, to date of valuation, the aggregate railway operating expenses have been 77.6 per cent of the railway operating revenues.

The Texas and New Orleans declared a dividend of 5 per cent in 1893 and one of 20 per cent in 1910. No other dividends have been declared, to date of valuation.

Original cost to date.—The original cost to date of all common-carrier property of the Texas and New Orleans can not be ascertained, as the necessary records are not obtainable. Such information respecting actual expenditures as can be ascertained is stated in Appendix 2.

Investment in road and equipment.—The investment in road and equipment, including land, on date of valuation, is stated in the books of the Texas and New Orleans as $23,155,399.69. If readjustments were made, this amount would be reduced to $22,650,692.10, detailed in Appendix 2, of which $4,646,703.90, less an undetermined portion thereof assignable to offsetting items recorded at $229,339.19, represents considerations other than money, the cash value of which at the time of the transaction we are not able to report, because it has been impossible to obtain the necessary information. In addition, the adjusted investment figure above stated includes an adjusting entry of $10,626,059.22, recorded in the books on November 30, 1888, concerning which there are no details that would indicate the classes of outlay contained therein, and which may be subject to the deduction for offsetting items above mentioned.

Cost of reproduction new and cost of reproduction less depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land and material and supplies, owned and used and used but not owned by the Texas and New Orleans, including owned portions of joint minor facilities, are shown on following page:

Classification	Cost of reproduction new	Cost of reproduction less depreciation
Wholly owned and used	$18,843,450	$14,150,655
Jointly owned and used with other carriers, the Texas and New Orleans' portion [1]	1,884	1,335
Total owned and used	18,845,334	14,151,990
Used but not owned, leased from the Southern Pacific Company	1,779,804	1,533,855
Total owned	18,845,334	14,151,990
Total used	20,625,138	15,685,845

[1] For details see summaries by accounts in Appendix 1.

These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are shown in summary sheets in Appendix 1. Information as to the character of the property used but not owned will be found in Appendix 2, under leased railway property.

Cost of lands, rights of way, and terminals at time of dedication to public use, and their present value.—The Texas and New Orleans owns and uses for common-carrier purposes 9,094.63 acres of lands. It owns but does not use 7.90 acres, which are leased to The Direct Navigation Company for common-carrier purposes. The total original cost of lands owned and used for carrier purposes can not be ascertained, as the necessary records are not obtainable, but such data as are obtainable on their original cost will be found in Appendix 2. The areas and present values of the carrier lands owned or used are found to be as follows:

Classification	Acres	Present value
Owned and used	9,094.63	$3,867,312
Owned but not used, leased to The Direct Navigation Company	7.90	5,530
Used but not owned, leased from private parties	3.39	11,620
Total owned	9,102.53	3,872,842
Total used	9,098.02	3,878,932

Rights in public domain.—The Texas and New Orleans owns rights in public domain used for common-carrier purposes, the original cost of which, as supported by accounting records, is $1,958.10. Their present value is found to be $1,958.

Rights in private lands.—The Texas and New Orleans owns rights in private lands used for common-carrier purposes, which were acquired without cost. The present value of these rights is found to be $10.

Property held for purposes other than those of a common carrier.—The Texas and New Orleans owns and holds for noncarrier purposes 1,925.46 acres of lands. The original cost of the lands classified as

noncarrier can not be ascertained, as the records are not obtainable, but such data as are obtainable on their original cost will be found in Appendix 2. The present value of the noncarrier lands and improvements thereon, owned by the Texas and New Orleans, is $398,551.

The investment of the Texas and New Orleans in miscellaneous physical property is recorded at $180,046.05, consisting of track material leased to individuals and companies. If the readjustment detailed in Appendix 2 were made, this account would be reduced to $176,354.62, and that amount is found to be the present value of track material leased to others.

The Texas and New Orleans owns securities of other companies, held for noncarrier purposes. Their par value is $370,338.53, and their book value, stated by the Texas and New Orleans as its net investment in securities of other companies, is the same amount. These securities, with their par and book values on date of valuation, are listed in Appendix 2.

Cash advances made by the United States Railroad Administration, in connection with its operation of the property of the Texas and New Orleans, less partial retirement thereof, aggregate $118,861, as detailed in Appendix 2.

Aids, gifts, grants of rights of way, and donations.—Of the lands owned by the Texas and New Orleans and included in the preceding summaries of lands owned, the following were acquired through aids:

Classification	Acres	Present value
Carrier lands owned and used:		
Land-grant lands	675.81	$36,589
Other lands	2,738.98	460,636
Total	3,414.79	497,225
Noncarrier lands owned:		
Land-grant lands	1,269.80	2,540
Other lands	46.71	3,360
Total	1,316.51	5,900

The land-grant lands were donated by the State of Texas. Certain of the other lands were reported by the Texas and New Orleans as aids. Title to the remaining other lands included above was acquired through deeds reciting merely nominal considerations. We are not able to report the value of these lands at the time acquired.

The Texas and New Orleans reports gross receipts of $3,254,907.72, expenditures of $545,061.17, and net receipts of $2,709,846.55 in connection with sales of lands conveyed to it or its predecessors as grants from the State of Texas, as detailed in Appendix 2.

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The commission is not able to report the amount or value of any concession or allowance that may have been made in consideration for any grants or donations by governmental bodies.

Donations other than lands with a reported value of $16,902.90 are also reported or indicated by the records, as detailed in Appendix 2.

Material and supplies.—The Texas and New Orleans has no material and supplies on hand on date of valuation.

The investment in material and supplies, on date of valuation, as shown in the books of the United States Railroad Administration, covering the operation of the property of the Texas and New Orleans, amounts to $3,612,415.59.

Final value.—After careful consideration of all facts herein contained, including appreciation, depreciation, going-concern value, working capital, and all other matters which appear to have a bearing upon the values here reported, the values, for rate-making purposes, of the property of the Texas and New Orleans, owned or used, devoted to common-carrier purposes, are found to be as follows:

	Final value
Wholly owned and used	$20, 510, 000
Owned but not used, leased to—	
The Direct Navigation Company	6, 530
Morgan's Louisiana and Texas Railroad and Steamship Company	110, 000
Louisiana Western Railroad Company	90, 000
The Galveston, Harrisburg and San Antonio Railway Company	620, 000
Houston & Texas Central Railroad Company	250, 000
The Houston East and West Texas Railway Company	50, 000
Houston and Shreveport Railroad Company	1, 000
Southern Pacific Terminal Company	20, 000
Total	1, 147, 530
Used but not owned, leased from—	
Southern Pacific Company	1, 610, 000
Morgan's Louisiana and Texas Railroad and Steamship Company	85, 000
Private parties	11, 620
Total	1, 706, 620
Total owned	21, 657, 530
Total used	22, 216, 620

There are included in the above statement the following amounts for working capital:

	Cash	Material and supplies	Total
Owned and used	$385, 000	$1, 425, 000	$1, 810, 000
Owned but not used, used by—			
Morgan's Louisiana and Texas Railroad and Steamship Company		110, 000	110, 000
Louisiana Western Railroad Company		90, 000	90, 000
The Galveston, Harrisburg and San Antonio Railway Company		620, 000	620, 000
Houston & Texas Central Railroad Company		250, 000	250, 000
Houston and Shreveport Railroad Company		1, 000	1, 000
The Houston East and West Texas Railway Company		50, 000	50, 000
Southern Pacific Terminal Company		20, 000	20, 000
The Direct Navigation Company		1, 000	1, 000
Used but not owned, owned by Morgan's Louisiana and Texas Railroad and Steamship Company		85, 000	85, 000

No other values or elements of value to which specific sums can now be ascribed are found to exist.

APPENDIX 1

Texas and New Orleans

Terminals owned and leased.—The principal freight and passenger terminals used by the Texas and New Orleans are shown in the following tabulation:

Location	Basis of use		Remarks [1]
	Freight terminal	Passenger terminal	
Houston	Owned	Rental	Passenger terminal owned by the Houston & Texas Central Railroad Company.
Beaumont	do	Owned	
Dallas	Rental	Rental	Freight terminal owned by the Houston & Texas Central Railroad Company. Passenger terminal owned by The Union Terminal Railroad Company.
Sabine	Owned	Owned	
Port Arthur	do	do	

[1] The terms under which the properties not owned are used are shown in Appendix 2, under leased railway property.

Traffic connections.—The Texas and New Orleans has connections with the lines of other carriers for interchange of traffic, as follows:

Connecting points	Carriers
Athens	St. Louis Southwestern Railway Company of Texas.
Beaumont	All roads.
Bonita Junction	The Houston East and West Texas Railway Company.
Caro	Caro Northern Railway Company.
Chaison	The Kansas City Southern Railway Company.
Colmesneil	The Missouri, Kansas and Texas Railway Company of Texas.
Dayton	Trinity Valley & Northern Railway Company.
Dallas	All roads.
Dorr Junction	The Houston East and West Texas Railway Company.
Grayburg	The Beaumont, Sour Lake & Western Railway Company.
Houston	All roads.
Huntington	St. Louis Southwestern Railway Company of Texas.
Jacksonville	Do.
Do	International and Great Northern Railway Company.
Kaufman	Texas Midland Railroad.
Kountze	Gulf, Colorado and Santa Fe Railway Company.
Orange	The Orange & Northwestern Railroad Company.
Port Arthur	The Kansas City Southern Railway Company.
Rusk	Texas State Railroad.
West Port Arthur	The Kansas City Southern Railway Company.

Physical conditions affecting construction.—The region traversed varies from the flat coastal land along the Gulf of Mexico to the rolling prairies of northern Texas. The geology of the surface strata varies from black loam in the vicinity of Dallas to clay and sand soil in the southern part of the State. Sandstone is found in small quantities, and near Rusk there is an extensive area of hematite iron cropping. The mean annual temperature is 65° F., ranging from an average of 30° in winter to 100° in summer. The mean annual rainfall is 50 inches.

Economic conditions relating to traffic.—The country traversed is very fertile and diversified. Farming is extensively carried on, the principal crops being corn, cotton, fruits, and vegetables. Rice is an important crop on the low flat lands near the Gulf of Mexico. More than 50 per cent of the land is under cultivation.

The principal industry of the regions served by the Texas and New Orleans is the production and refining of oil, which is extensively developed due to the largest oil fields and wells being located in this section of the State. Part of the country is well timbered and a number of saw mills are in operation.

Physical characteristics of road.—The maximum grade between Houston and the Sabine River is 0.70 per cent eastbound and 0.95 per cent westbound; between Sabine and Dallas, 2.07 per cent eastbound and 1.87 per cent westbound. On the other parts of the line the maximum grades vary from 0.13 to 2.30 per cent eastbound and from 0.07 to 2 per cent westbound.

The maximum curvature between Houston and Sabine River is 4° 23′, and between Sabine and Dallas 4° 56′. On the other parts of the line the curvatures vary from 4° 45′ to 10°.

Grading averages about 20,000 cubic yards per mile for the entire road. There is a small percentage of solid and loose rock classification, the remainder being common material.

There are four through truss draw spans over the Trinity River, Neches River, Sabine River, and Taylor Bayou, respectively. There is an unusual amount of timber trestles, the total number of such bridges being 874, with a total length of 84.856 feet.

Cypress ties are generally used, with a small per cent of treated and untreated pine. Ties average 3,000 per mile on the main line.

The main line from Houston to the Sabine River is laid with new 90 pound open hearth rail. The principal branch line, from Dallas to Sabine, is laid with new open hearth rail of 75-pound and 90-pound weight, and with relay Bessemer rail of various weights, the greater portion being 75-pound and 80-pound.

The main line is ballasted with first-class gravel. On the branch line from Sabine to Dorr Junction oyster-shell ballast is used. Most of the remainder of the branch lines have engine cinders or sand from local cuts, and there is some earth-filled track. The main-line ballast averages 4,000 cubic yards per mile.

Equipment.—The Texas and New Orleans uses the following equipment:

Classification		Units
Owned and used:		
Steam locomotives—		
Passenger locomotives	12	
Switching locomotives	21	
		33
Freight-train cars		1,724
Passenger-train cars		52
Working equipment		125
Used but not owned, leased from the Southern Pacific Company:		
Steam locomotives—		
Passenger locomotives	4	
Switching locomotives	6	
		10
Freight-train cars		1,094
Passenger-train cars		27

Engineering and general expenditures.—Engineering has been estimated at 4 per cent upon road accounts, 3 to 47. General expenditures, exclusive of interest, have been estimated at 1.5 per cent on road accounts 1 to 47, exclusive of account 2. Interest during construction has been estimated for one-half the construction period, plus 3 months, at 6 per cent per annum on all road and general-expenditures accounts, except accounts 2 and 76. Interest on equipment has been estimated for 3 months at 6 per cent per annum. The construction period was placed at 30 months for the property at Houston, the road from Houston to the Texas-Louisiana State line and the branch from Nome to Sour Lake, and at 26 months for certain telegraph property. For all the other property the construction period was placed at 24 months.

SUMMARIES

The Texas and New Orleans' portions of jointly owned minor facilities are included in the reproduction cost shown below for property wholly owned.

Wholly owned and used

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$575,371	$575,371
3	Grading	2,448,555	2,441,122
6	Bridges, trestles, and culverts	1,892,237	1,312,708
8	Ties	1,456,932	801,311
9	Rails	2,369,873	2,118,933
10	Other track material	720,347	541,561
11	Ballast	791,336	596,219
12	Tracklaying and surfacing	969,615	737,778
13	Right-of-way fences	191,885	97,545
15	Crossings and signs	89,096	58,778
16	Station and office buildings	604,744	432,358
17	Roadway buildings	401,963	254,716
18	Water stations	159,795	117,832
19	Fuel stations	174,587	153,159
20	Shops and engine houses	1,013,217	813,387
23	Wharves and docks	171,258	100,723
26	Telegraph and telephone lines	20,302	17,869
27	Signals and interlockers	198,693	156,506
29	Power-plant buildings	34,809	32,515
32	Power-distribution systems	23,299	14,738
33	Power line poles and fixtures	357	302
34	Underground conduits	4,725	4,064
35	Miscellaneous structures	7,703	5,479
36	Paving	17,183	13,487
37	Roadway machines	22,617	13,938
38	Roadway small tools	9,420	5,584
44	Shop machinery	546,582	347,913
45	Power-plant machinery	43,132	33,906
	Total, 1, and 3 to 47, inclusive	14,959,633	11,799,802
	II. EQUIPMENT		
51	Steam locomotives	436,522	221,969
53	Freight-train cars	1,498,036	725,836
54	Passenger-train cars	341,330	161,252
57	Work equipment	90,394	54,305
58	Miscellaneous equipment	3,050	1,527
	Total, 51 to 58, inclusive	2,369,332	1,164,889
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	224,395	177,301
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general	1,290,090	1,008,663
76	Interest during construction		
	Total, 71 to 77, inclusive	1,514,485	1,185,964
	Grand total, 1, and 3 to 77, inclusive	18,843,450	14,150,655

Jointly owned and used, with the International & Great Northern Railway Co., 50 per cent each; 0.255 mile of yard tracks and sidings at Houston; Texas and New Orleans' portion

Wholly owned and used

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$38	$38
6	Bridges, trestles, and culverts	60	48
8	Ties	309	163
9	Rails	281	255
10	Other track material	149	88
12	Tracklaying and surfacing	149	101
	Total, 1, and 3 to 47, inclusive	986	693
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General offices and clerks		
73	Law		
74	Stationery and printing	15	10
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	30	21
	Total, 71 to 77, inclusive	45	31
	Grand total, 1, and 3 to 77, inclusive	1,031	724

Jointly owned and used with The San Antonio and Aransas Pass Railway Company, 50 per cent each; 0.187 mile of yard tracks and sidings at Houston; Texas and New Orleans' portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$31	$31
3	Grading	79	79
8	Ties	219	118
9	Rails	179	153
10	Other track material	132	81
11	Ballast	42	32
12	Tracklaying and surfacing	134	90
	Total, 1, and 3 to 47, inclusive	816	584
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	12	9
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	25	18
	Total, 71 to 77, inclusive	37	27
	Grand total, 1, and 3 to 77, inclusive	853	611

Used but not owned, leased from the Southern Pacific Company

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	II. EQUIPMENT		
51	Steam locomotives	$181,094	$160,204
53	Freight-train cars	1,271,307	1,089,283
54	Passenger-train cars	301,100	261,747
	Total, 51 to 58, inclusive	1,753,501	1,511,234
	III. GENERAL EXPENDITURES		
76	Interest during construction	26,303	22,621
	Grand total, 1, and 3 to 77, inclusive	1,779,804	1,533,855

APPENDIX 2

Texas and New Orleans

INTRODUCTORY

The Texas and New Orleans is a corporation of the State of Texas, having its principal office at Houston, Tex. It is controlled by the Southern Pacific Company, through ownership of a majority of the outstanding capital stock.

The property of this company has been operated by its own organization from the respective dates that the different sections of its road were acquired, until December 31, 1917, except that the main line between Houston and the Sabine River, at Echo, was leased to the Southern Pacific Company for sole operation during the period from March 1, 1885, to June 30, 1889. On January 1, 1918, its common-carrier property was taken over for operation by the United States Railroad Administration, which still operates it on date of valuation.

CORPORATE HISTORY

The Texas and New Orleans was organized on July 16, 1875, under the charter rights of a predecessor company of the same name, by authority of an act of the Legislature of the State of Texas, approved on December 19, 1857. Its authority has been extended at various times by special acts of the Texas legislature and charter amendments, to cover the purchase of other lines, the extension of its own lines, and the increase of capital stock.

Pursuant to these special acts and amendments, the Texas and New Orleans has acquired the properties, rights, and franchises of several corporations. The Texas and New Orleans, itself, and those corporations total nine different corporations, of which two underwent a change in name, and comprise the line of corporate succession culminating in the Texas and New Orleans as at present constituted.

The following chart shows the names of the corporations, the respective dates of incorporation, and for each predecessor the date of succession, the immediately succeeding corporation, and the manner of succession. Reference to each of these corporations is made in the last column by its respective number shown in the first column.

No.	Name	Incorporation	Succession
1	Texas and New Orleans Railroad Company.	Under special act of Texas, July 16, 1875.	
2	Texas and New Orleans Railroad Company.	See 3	Sold at foreclosure, Nov. 8, 1872. Conveyed to 1, July 16, 1875.
3	Sabine and Galveston Bay Railroad and Lumber Company.	Under special act of Texas, Sept. 1, 1856.	Name changed to 2, Dec. 24, 1859.
4	Sabine and East Texas Railway Company.	See 5	Sold to 1, Oct. 28, 1882.
5	East Texas Railway Company.	Under general laws of Texas, Apr. 29, 1880.	Name changed to 4, Aug. 3, 1881.
6	Texas Transportation Company.	Under special act of Texas, Sept. 25, 1866.	Sold to 1, June 1, 1896.
7	Louisiana Western Extension Railroad Company.	Under general laws of Texas, Mar. 31, 1879.	Sold to 1, Feb. 10, 1900.
8	Texas Trunk Railroad Company (3).	See 10	Sold under foreclosure, Aug. 6, 1895; conveyed to 1, Nov. 25, 1899.
9	Texas Trunk Railroad Company (2).	See 10	Reorganized as 8, about Nov. 19, 1885, under charter rights of 10.
10	Texas Trunk Railroad Company (1).	Under general laws of Texas, Nov. 6, 1879.	Sold at foreclosure, May 1, 1883. Reorganized as 9. Property transferred to 9, July 2, 1883.
11	Burr's Ferry, Browndel & Chester Railway Company.	Under general laws of Texas, Jan. 2, 1906.	Sold to 1, effective as of July 1, 1914.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The owned mileage of the Texas and New Orleans, amounting to 471.961 miles, was acquired by purchase and construction, as indicated in the table below. Of the eight corporations that comprise the line of succession culminating in the Texas and New Orleans as at present constituted, the Texas Trunk Railroad Company (3) constructed no road or other common-carrier property. The property constructed by the remaining corporations, the years when the various portions of the line were constructed, and the manner in which the Texas and New Orleans acquired the property are indicated in the following table, wherein, to facilitate comparison with the table showing the corporate succession, previously given, the same order of corporations is maintained:

	Recorded mileage	
Acquired by construction:		
Cedar to Jacksonville, 1900–1902	65. 91	
Rockland to Dorr Junction, 1900–1902	47. 80	
Bonita Junction to Mahl, 1900–1902	5. 30	
Mahl to Cushing, 1902–1903	11. 90	
Cushing to Jacksonville, 1903	29. 40	
Nome to Sour Lake, 1903	8. 40	
West Port Arthur to Port Arthur, completed in 1908	3. 20	
Gallatin to Rusk, 1908–1909	8. 03	
		179. 94
Acquired by purchase:		
From John T. Terry, trustee for the Texas and New Orleans Railroad Company (of 1856), constructed by that company—		
Houston to Liberty, 1857–1860, about 41 miles.		
Orange to Liberty, 1859–1860, about 64 miles, put in operation in 1861	104. 72	
(The road was dismantled by Confederate forces in 1865, and was rebuilt from Houston to West Liberty, about 35 miles, some time prior to 1870.)		

	Recorded mileage	
Acquired by purchase—Continued.		
From the Sabine and East Texas Railway Company, constructed by that company—		
Beaumont to Sabine Pass, commenced 1880, date of completion not known	30. 17	
Beaumont to Kountze, date of beginning of construction not known, completed in 1881	24. 40	
Kountze to Rockland, 1881–1882	48. 66	
		103. 23
From the Texas Transportation Company, constructed by that company, Houston to Clinton, some time prior to 1876		7. 40
From the Louisiana Western Extension Railroad Company, constructed by that company, Orange to Echo, 1878–1881		6. 42
From the Texas Trunk Railroad Company (3)		51. 81
Constructed by the Texas Trunk Railroad Company (1), Dallas to Kaufman, 1879–1881, about 36 miles.		
Constructed by the Texas Trunk Railroad Company (2), Kaufman to Cedar (now Gossett), 1883, about 16 miles.		
From the Burr's Ferry, Browndel & Chester Railway Company, constructed by that company—		
Rockland to Aldridge, 1906–1907	7. 10	
Aldridge to Turpentine, 1907–1908	3. 01	
Turpentine to 1 mile beyond, 1907–1908	1. 01	
Near Turpentine to Angelina River, 1907	8. 13	
Angelina River to Browndel, 1907	8. 60	
		27. 85
(Between Turpentine and Browndel, 16.73 miles, grading was performed and bridges constructed, except bridge over the Angelina River, but track had not been laid when the property was sold to the Texas and New Orleans.)		
Total acquired by purchase		301. 43
Total of above items		481. 370
Less partially completed road between Turpentine and Browndel, reported by the Texas and New Orleans as not in operation on date of valuation	8. 130	
Less difference between total recorded mileage and mileage inventoried as of date of valuation	1. 279	
		9. 409
Mileage inventoried as of date of valuation		471. 961

The Texas and New Orleans has performed a considerable amount of addition and betterment work in the nature of rehabilitating purchased lines to bring them to their present state of physical development. The principal improvements consist of changing the main line to standard gage, placing heavier weight of rail, changing bridges to steel structures, installing block signal system, ballasting track, improving shop building and facilities at Houston, and constructing creosote works at Englewood.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—Syndicating, banking, and other financial arrangements prior to the date the control of the Texas and

New Orleans became vested in the Southern Pacific Company, some time in 1885, can not be stated accurately on account of missing records. Subsequent to that date its financial affairs have been controlled by the Southern Pacific Company, but on account of the loss of accounting records the details of the accounts prior to November 30, 1888, are not obtainable.

Capital stock and long-term debt.—From the date of its organization, July 16, 1875, to date of valuation, the Texas and New Orleans has issued or assumed capital stock and funded debt and incurred nonnegotiable debt to affiliated companies, as indicated by its records, aggregating $65,509,380.71, of which $18,233,878.92 are actually outstanding, as summarized in the following table:

Class	Issued or assumed	Retired	Actually outstanding
Capital stock, par value, common	$5,000,000.00		$5,000,000.00
Long-term debt, funded debt, par value:			
Issued	11,756,000.00	$2,498,000.00	9,258,000.00
Assumed	963,921.94	200,810.22	763,111.72
Total	12,719,921.94	2,698,810.22	10,021,111.72
Nonnegotiable debt to affiliated companies	47,789,458.77	44,576,691.57	3,212,767.20
Grand total	65,509,380.71	47,275,501.79	18,233,878.92

Capital stock.—The authorized capital stock was originally $3,000,000 par value, divided into shares of $100 par value each, classed as common stock. The amount of the authorized capital stock was increased on August 18, 1882, to $5,000,000. On the date of valuation, the total issue of 50,000 shares is held by the Southern Pacific Company, excepting 9 qualifying shares held by the directors.

The value received in consideration for the capital stock is not determinable from the obtainable accounting records. The deed of October 28, 1882, conveying the property of the Sabine and East Texas Railway Company to the Texas and New Orleans, states that the purchase price was payable partly in capital stock of the Texas and New Orleans having an aggregate par value of $2,594,000. If so applied, this would leave remaining a balance of $2,406,000, which presumably was issued as part purchase price for the properties of the Texas and New Orleans Railroad Company (of 1856), acquired through John T. Terry, trustee.

Funded debt.—The Texas and New Orleans has issued, assumed, and reacquired funded debt in exchange for the following recorded considerations.

Par value	Consideration	Recorded value
Issued		
$1,940,000.00	Part payment for property acquired	$1,940,000.00
5,537,000.00	Settlement of open account advances (discount $503,200)	5,033,800.00
4,279,000.00	Considerations not obtainable on account of missing records	4,279,000.00
Assumed		
$515,000.00	Part payment for property acquired	515,000.00
448,921.94	Considerations not obtainable on account of missing records	448,921.94
12,719,921.94	Total par value issued or assumed	12,216,721.94
Reacquired and retired		
$2,003,885.16	Cash ($75,800 in excess of par value)	2,079,685.16
694,925.06	Nonnegotiable debt to affiliated companies	694,925.06
2,698,810.22	Total reacquired for considerations	2,774,610.22
Outstanding		
$10,021,111.72		

The difference between the par value of funded debt issued by the Texas and New Orleans and the considerations recorded as received in exchange therefor, being discounts aggregating $503,200, was charged to the investment in road and equipment account.

The difference between the par value of funded debt reacquired and the recorded cost of reacquisition, being a premium of $75,800, was adjusted by charging that amount to profit and loss.

A statement of the funded debt of the Texas and New Orleans actually outstanding on date of valuation, follows:

Title of security	Actually outstanding
Issued:	
First-mortgage 6 per cent bonds, dated Aug. 1, 1875, due Aug. 1, 1935	$862,000.00
Sabine Division, 6 per cent first-mortgage gold bonds, dated Sept. 1, 1882, due Sept. 1, 1942	2,575,000.00
Consolidated-mortgage 5 per cent gold bonds, dated July 1, 1893, due July 1, 1943	1,620,000.00
Dallas Division first-mortgage 4 per cent gold bonds, dated Aug. 1, 1900, due Aug. 1, 1930	3,997,000.00
Equipment bonds, Series A, interest 6 per cent, dated Oct. 1, 1902, maturing serially each six months commencing with Apr. 1, 1903	204,000.00
Total	9,258,000.00
Assumed:	
From the Texas and New Orleans Railroad Company (of 1856), State of Texas funds loaned (title of issue unknown), interest 6 per cent	248,111.72
From the Texas Transportation Company, first-mortgage 5 per cent bonds dated Aug. 1, 1893, due Aug. 1, 1923	350,000.00
From the Burr's Ferry, Browndel & Chester Railway Company, first-mortgage 6 per cent gold coupon bonds, dated Apr. 1, 1907, due Apr. 1, 1937	165,000.00
Total	763,111.72
Grand total	10,021,111.72

Nonnegotiable debt to affiliated companies—Texas and New Orleans.—The Texas and New Orleans has incurred nonnegotiable debt to the Pacific Improvement Company and the Southern Pacific Company aggregating $47,789,458.77 to date of valuation, classified as open accounts, of which $44,576,691.57 has been repaid, leaving $3,212,767.20 owing on date of valuation, as summarized below. The considerations recorded as passed in connection with the incurring and repayment of the nonnegotiable debt to the Pacific Improvement Company are detailed as follows:

Amount	Consideration	Recorded value
Incurred, prior to existing records, to June 30, 1894		
$354,824.36	Not obtainable on account of missing records	$354,824.36
584,000.00	Debenture bonds surrendered and canceled	584,000.00
10,706.63	Accrued interest on debenture bonds	10,706.63
334,049.07	Interest computed on advances	334,049.07
250,273.85	Construction and improvements on shop grounds and machinery	250,273.85
36,477.93	Advances for purchase of lands	36,477.93
317,394.18	Cash in settlement of balance owing	317,394.18
1,887,726.02	Total	1,887,726.02
Repaid, May 1893, to June 30, 1899		
$475,000.00	Sabine Division 6 per cent first-mortgage bonds at 95 (discount $25,000)	475,000.00
1,296,000.00	Consolidated-mortgage 5 per cent bonds at 80 (discount $324,000)	1,296,000.00
116,726.02	Interest computed on debit balances	116,726.02
1,887,726.02	Total	1,887,726.02

The open account transactions between the Texas and New Orleans and the Southern Pacific Company, as of date of valuation, reflect a credit balance of $3,212,767.20, which is classified by the Texas and New Orleans as nonnegotiable debt to affiliated companies. The open account with the Southern Pacific Company is a reflection of various transactions, current and financial, between that company and the Texas and New Orleans. The Southern Pacific Company acts as a clearing house or banker in the collecting and disbursing of current and other transactions for and on account of the Texas and New Orleans and companies affiliated therewith.

The considerations recorded as passed in connection with incurring and the partial repayment of the nonnegotiable debt to the Southern Pacific Company are detailed as follows:

Amount	Consideration		Recorded value
Incurred, November, 1888, to date of valuation			
$76,218.78	Not obtainable on account of missing records		$76,218.78
11,786,625.04	Current liabilities with affiliated companies transferred		11,786,625.04
11,389,310.00	Interest on bonds paid and accrued		11,389,310.00
9,863,181.98	Drafts in settlement of current liabilities with affiliated companies		9,863,181.98
4,194,901.74	Operating expenses paid or assumed		4,194,901.74
2,563,315.00	Cash advanced		2,563,315.00
1,932,218.26	Interest on open account monthly advances		1,932,218.26
1,606,618.35	Construction and improvements to property and equipment purchased		1,606,618.35
783,879.01	Material and supplies purchased		783,879.01
110,925.06	Funded debt retired		110,925.06
923,907.28	Current liabilities, vouchers transferred to open account		923,907.28
174,771.76	Payment to Louisiana Western Railroad Company to discharge liabilities of Louisiana Western Extension Railroad Company		174,771.76
110,862.92	Interest on State of Texas School Fund debt		110,862.92
84,315.60	Balances in accounts transferred:		
	Louisiana Western Railroad Company	$69,974.13	
	Burr's Ferry, Browndel & Chester Railway Company	14,341.47	
			84,315.60
52,233.37	Rental of equipment in use on the Texas and New Orleans' lines		52,233.37
33,686.88	Expenses on State subsidy lands paid		33,686.88
5,593.33	Leased equipment destroyed		5,593.33
115,383.13	Taxes paid		115,383.13
93,785.26	Other miscellaneous current liabilities paid		93,785.26
45,901,732.75	Total		45,901,732.75
Repaid, November, 1888, to date of valuation			
$17,665,863.07	Clearance drafts transferring cash balances		17,665,863.07
11,292,626.35	Balances in current accounts with affiliated companies transferred		11,292,626.35
8,110,350.86	Operating revenues collected		8,110,350.86
3,262,800.00	Dallas Division first-mortgage 4 per cent bonds		3,262,800.00
1,334,473.53	Cash payments		1,334,473.53
480,305.27	Interest due on open account balances		480,305.27
183,525.50	Collections from the United States Post Office Department		183,525.50
147,307.13	Additions and betterments to leased equipment		147,307.13
97,903.33	Accrued interest on bonds at date sold		97,903.33
94,356.06	Bonus from Wells Fargo & Company express		94,356.06
9,191.44	Rental collected from leased lands		9,191.44
7,799.97	Interest on land notes		7,799.97
2,463.04	Other miscellaneous collections		2,463.04
42,688,965.55	Total		42,688,965.55
Owing $3,212,767.20			

Nonnegotiable debt to affiliated companies, United States Railroad Administration.—The United States Railroad Administration has incurred nonnegotiable debt to the Southern Pacific Company, classified as open accounts, aggregating

$623,178.20 to date of valuation, of which $247,233.41 has been repaid, leaving $375,944.79 owing, as detailed hereunder.

Amount	Consideration	Recorded value
Incurred		
$378,003.20	Cash	$378,000.20
242,715.00	Interest on funded debt paid	242,715.00
2,460.00	Operating expenses paid	2,460.00
623,178.20	Total	623,178.20
Repaid		
$234,382.13	Cash	234,382.13
12,851.28	Additions and betterments to leased equipment	12,851.28
247,233.41	Total	247,233.41
Owing $375,944.79		

Short-term notes.—From March 5, 1900, to May 2, 1903, the Texas and New Orleans issued for cash short-term notes of $848,000 par value, all of which had been retired by cash prior to June 30, 1906.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as recorded by the Texas and New Orleans for the period from November 20, 1876, to August 31, 1883, and for the period from March 1, 1885, to date of valuation, are obtainable. The records for the period from September 1, 1883, to February 28, 1885, have not been obtained.

On March 1, 1885, the main line between Houston and Echo was leased to the Southern Pacific Company for sole operation under the terms of the so-called "Omnibus Lease," and was so operated until June 30, 1889, when the lease was canceled.

As of November 30, 1888, the accounting records of the Texas and New Orleans were adjusted to agree with the records as exhibited on the books of the Texas and New Orleans at New York City.

The results of corporate operations, as shown in the income and profit and loss accounts of the Texas and New Orleans and of the United States Railroad Administration, are given below.

Income statement of the Texas and New Orleans.—A condensed summary of the income accounts for the year ending December 31, 1917, and for the period from March 1, 1885, to December 31, 1917, with the exceptions noted above, follows:

	Year	Period
Operating income:		
Railway operating revenues	$6,410,076.80	$92,058,608.00
Railway operating expenses	3,900,756.71	69,303,314.50
Net revenue from railway operations	2,509,320.09	22,755,293.50
Railway tax accruals	507,564.50	3,063,914.23
Uncollectible railway revenues	3,768.98	9,243.36
Total	1,997,986.61	19,682,135.91
Nonoperating income:		
Hire of equipment	163,923.97	1,323,147.33
Joint-facility rent income	293,791.73	1,177,351.20
Miscellaneous rent income	21,916.46	204,312.21
Miscellaneous nonoperating physical property	6,901.47	262,696.24
Income from unfunded securities and accounts	23,726.21	1,437,777.77
Miscellaneous income		49,393.74
Total	510,259.84	4,454,678.49
Gross income	2,508,246.45	24,136,814.40

	Year	Period
Deductions from gross income:		
Hire of equipment	$160,259.89	$1,665,211.63
Joint-facility rents	348,178.75	1,327,764.14
Miscellaneous rents	708.25	2,750.67
Interest on funded debt	656,739.81	13,291,727.73
Interest on unfunded debt	292.35	9,827.70
Total	1,166,179.05	16,297,281.87
Net income	1,342,067.40	7,839,532.53
Disposition of net income, dividend appropriations of income		250,000.00
Income credit balance transferred to profit and loss	1,342,067.40	7,589,532.53

Income statement for the period of Federal operation.—A condensed summary of the income accounts of the Texas and New Orleans and the United States Railroad Administration for the six months from January 1, 1918, to date of valuation, follows:

	Texas and New Orleans	United States Railroad Administration
Operating income:		
Railway operating revenues		$3,527,203.04
Railway operating expenses		2,555,748.27
Net revenue from railway operations		971,454.77
Railway tax accruals	$3,600.00	133,482.50
Uncollectible railway revenues		1,606.19
Total operating income		836,366.08
Total operating deficit	3,600.00	
Nonoperating income:		
Hire of equipment		72,127.36
Joint-facility rent income		147,696.04
Income from lease of road	363,192.06	
Miscellaneous rent income	12,404.75	
Miscellaneous nonoperating physical property	6,632.49	
Income from funded securities	236.62	
Income from unfunded securities and accounts	8,143.13	1,190.99
Total	390,609.05	221,014.39
Gross income	387,009.05	1,057,380.47
Deductions from gross income:		
Hire of equipment		
Joint-facility rents		93,931.49
Rent for leased roads		170,773.50
Miscellaneous rents	536.22	
Interest on funded debt	346,385.43	
Interest on unfunded debt	278.53	
Maintenance of investment organization	35.00	
Total	347,235.18	264,704.99
Net income	39,773.87	792,675.48
Disposition of net income, income credit balance transferred to profit and loss	39,773.87	792,675.48

The profit and loss account of the Texas and New Orleans includes delayed income credits and delayed income debits as grouped hereunder. If the amounts were included in the income statement for the period, the credit balance transferable to the profit and loss account would be decreased by $1,605,122.05, or to a credit balance of $6,024,184.35.

Class	Delayed income credits	Delayed income debits
Operating income:		
Addible to railway operating expenses	$1,221.94	$1,349,822.99
Deductible from railway operating expenses	28,309.14	
Nonoperating income, addible to nonoperating income		
Deductions from gross income:		
Addible to deductions from gross income, other than rents paid and balance for hire of equipment		294,918.84
Deductible from deductions from gross income, other than rents paid and balance for hire of equipment	10,088.70	
Total	39,619.78	1,644,741.83

Under the present classification of accounts, certain items included in other accounts would be includible in the income account, and other items included therein would be transferable elsewhere. Certain income items recorded in the profit and loss account would be includible in an income statement for the period. These items, grouped according to their effect on the credit balance in the income account for the period, follow:

Increases, transferable from profit and loss:	
Operating expenses during omnibus lease period	$2,071,355.06
Rental for lease of road during omnibus lease period	23,278.45
Earnings prior to omnibus lease from The Galveston, Harrisburg and San Antonio Railway Company	18,785.88
Adjustment of interest on open account advances	144,975.75
Insurance adjustment	16,092.28
Demurrage collected	9,694.00
Total	2,284,181.42
Decreases, transferable from profit and loss:	
Operating revenues during omnibus lease period	4,151,638.18
Expenses paid by The Galveston, Harrisburg and San Antonio Railway Company prior to omnibus lease	57,932.83
Loss from operation of dining cars	1,185.90
Total	4,210,756.91
Net decreases in credit balance	1,926,575.46

If the income account of the Texas and New Orleans were adjusted to the extent indicated above, and if the other items therein were taken at their recorded amounts, the credit balance, on date of valuation, transferable to profit and loss would be decreased by $3,531,697.54, or to a credit balance of $4,097,608.86.

Profit and loss statement of the Texas and New Orleans.—A condensed summary of the profit and loss accounts for the period from March 1, 1885, to date of valuation, follows:

Credits:	
Credit balance as of Mar. 1, 1885, for which an analysis has not been obtained	$861,574.17
Net credit balance transferred from income	7,629,306.40
Profit on road and equipment sold	49,280.28
Delayed income credits	39,619.78
Unrefundable overcharges	13,588.06
Donations	16,902.90

Credits—Continued.	
Miscellaneous credits—	
Proceeds from sale of State subsidy lands	$3, 132, 324. 88
Proceeds from sale of lands and town sites	383, 360. 22
Adjustment of interest on advances by the Southern Pacific Company for construction of line between Cedar and Rockland, previously charged to the income account, now credited to profit and loss account and charged to the investment in road and equipment account	144, 975. 75
Bonus from Wells Fargo and Company, under contract of Oct. 9, 1893, covering transportation of express	85, 266. 83
Excess of recorded assets acquired over recorded liabilities assumed in the purchase of the properties of the Louisiana Western Extension Railroad Company	49, 681. 45
Unclaimed wages, vouchers, and accounts written off	38, 378. 61
Delayed rental due from the Southern Pacific Company under the omnibus lease, from Mar. 1, 1885, to June 30, 1889	23, 278. 45
Miscellaneous earnings received from The Galveston, Harrisburg and San Antonio Railway Company prior to the omnibus lease	18, 785. 88
Adjustment of insurance premiums on cotton in transit	16, 092. 28
Transfer from New York office, no detail	12, 086. 21
Demurrage collected at Houston	9, 694. 00
Overcredit in restoring to investment account additions and betterments previously charged to income account	1, 507. 59
Other miscellaneous credits	5, 583. 04
Total	12, 531, 286. 78
Debits:	
Dividend appropriations of surplus	1, 000, 000. 00
Surplus appropriated for investment in physical property	8, 357. 88
Loss on retired road and equipment	80, 774. 03
Delayed income debits	1, 644, 741. 83
Miscellaneous debits—	
To close account with the Southern Pacific Company in so far as it relates to the earnings and expenses of the Texas and New Orleans during the omnibus lease period, Mar. 1, 1885, to June 30, 1889—	
Railway operating revenues $4, 151, 638. 18	
Less railway operating expenses 2, 071, 355. 06	2, 080, 283. 12
Expenses and losses on account of State subsidy lands	393, 055. 68
Uncollectible accounts written off	106, 452. 42
Operating deficit of the Sabine and East Texas Railway Company to Dec. 31, 1891	89, 498. 09
Premium on first-mortgage bonds redeemed	75, 800. 00
Miscellaneous expenses paid by The Galveston, Harrisburg and San Antonio Railway Company prior to the omnibus lease period	57, 932. 83

Debits—Continued.	
Miscellaneous debits—Continued.	
Amount necessary to adjust the Texas and New Orleans' Houston books with its New York office books as of Nov. 30, 1888, no detail	$34, 163. 00
Loss from operation of dining cars	1, 185. 90
Other miscellaneous debits	3, 056. 40
Total	5, 575, 301. 18
Credit balance as of date of valuation	6, 955, 985. 60

Under the present classification of accounts, certain items included in other accounts would be includible in the profit and loss account, and other items recorded therein would be transferable elsewhere. These items, grouped according to their effect on the credit balance in the profit and loss account, follow:

Decrease:		
Transferable to credit of investment in road and equipment, overcredit in restoring to investment account, additions and betterments previously charged to income		$1, 507. 59
Transferable from investment in road and equipment, discount on funded debt—		
Sabine Division first-mortgage bonds	$25, 000	
Consolidated-mortgage bonds	324, 000	
Dallas Division first-mortgage bonds	154, 200	
		503, 200. 00
Total		504, 707. 59

If the profit and loss account were adjusted so far as indicated above, and if the remaining items therein were taken at their recorded amounts, the credit balance in that account would be reduced by $504,707.59, or to a credit balance of $6,451,278.01.

Profit and loss statement of the United States Railroad Administration.—The profit and loss statement of the United States Railroad Administration includes only the item, income credit balance transferred to profit and loss, $792,675.48.

Dividends.—The Texas and New Orleans declared dividends aggregating $1,250,000 in the years 1893, and 1910, of which $250,000 was charged to the income account and $1,000,000 was charged to the profit and loss account. The records reviewed do not indicate that any of the dividends declared were payable otherwise than in cash. The dividends declared were at the rate of 5 per cent in 1893 and 20 per cent in 1910.

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Texas and New Orleans in road and equipment, including land, on date of valuation, is stated in its books as $23,155,399.69, of which $10,626,059.22 represents the recorded outlays for the properties of the Texas and New Orleans Railroad Company (of 1856), purchased at foreclosure sale by John T. Terry, trustee, and the direct purchase of the properties of the Sabine and East Texas Railway Company, together with expenditures by the Texas and New Orleans to November 30, 1888, for which the classes of outlays can not be

specifically allocated on account of missing records. A general analysis of the remaining balance of $12,529,340.47 follows:

For property acquired through purchase:			
From the Texas Transportation Company—			
Recorded money outlay		$71,500.00	
First-mortgage bonds assumed, par value		350,000.00	
Liabilities assumed, recorded at	$6,544.96		
Less assets taken over, recorded at	4,901.36		
		1,643.60	
			$423,143.60
From the Texas Trunk Railroad Company (3)—			
Recorded money outlay		10,000.00	
Dallas Division first-mortgage 4 per cent bonds, par value		580,000.00	
			590,000.00
From the Burr's Ferry, Browndel & Chester Railway Company—			
Recorded money outlay		205,514.21	
First-mortgage 6 per cent gold coupon bonds assumed, par value		165,000.00	
Liabilities assumed, recorded at	$52,537.33		
Less assets taken over, recorded at	34,613.99		
		17,923.34	
			388,437.55
Total			1,401,581.15
For road constructed:			
Recorded money outlay			4,131,299.16
Interest computed on open account advances			275,729.41
Other items, not in accordance with the present classification of accounts, discount on Dallas Division first-mortgage 4 per cent bonds sold at 90			154,200.00
Total			4,561,228.57
For additions and betterments, entire line:			
Recorded money outlay		$3,188,954.80	
Open account advances		1,856,892.20	
Equipment bonds series A, par value		1,360,000.00	
		6,405,847.00	
Less retirements credited at		189,823.84	
			6,216,023.16

For additions and betterments, entire line—Con.			
Other items, not in accordance with the present classification of accounts—			
Discount on Sabine Division 6 per cent first-mortgage bonds sold at 95		$25,000.00	
Discount on consolidated-mortgage gold bonds sold at 80		324,000.00	
Overstatement of additions and betterments previously charged to income account		1,507.59	
			$350,507.59
Total			6,566,530.75
Grand total			12,529,340.47
Recorded amount prior to Nov. 30, 1888, for which detail is not obtainable			10,626,059.22
Total recorded as of date of valuation			23,155,399.69

If the "other items" set out in the above general analysis were eliminated, and if all the items then contained therein were taken at their recorded values, the balance in the investment in road and equipment account would be reduced by $504,707.59, or to $22,650,692.10.

This adjusted amount would be the result, on the one hand, of gross outlays that consist, in part, of considerations other than cash recorded at $4,646,703.90 and an adjusting entry recorded as of November 30, 1888, amounting to $10,626,059.22, for which details as to kinds of outlay are not obtainable; and, on the other hand, of items deductible from the gross outlays and recorded at $229,339.19, but not specifically deductible at the recorded amounts. The cash value at the time of the transactions of the considerations other than cash, of the adjusting entry, or of the items deductible from the gross outlays is not known and can not be definitely determined.

The balance in the investment in road and equipment account, if adjusted to the above extent, so far as it is resolvable into the kinds of considerations, would comprise the following classes of recorded outlay:

Recorded money outlay	$7,607,268.17
Funded debt, par value	2,455,000.00
Nonnegotiable debt to affiliated companies	1,856,892.20
Interest computed on open account advances	275,729.41
Current liabilities assumed, recorded at	59,082.29
Adjusting entry recorded on the books as of Nov. 30, 1888, for which detail as to kinds of outlay is not obtainable	10,626,059.22

From which should be deducted such portions, not definitely determinable, as represent—		
Current assets taken over, recorded at		39,515.36
Retirements, credited at		189,823.84

In addition to the above outlays, the Texas and New Orleans acquired on February 10, 1900, the properties of the Louisiana Western Extension Railroad Company, but no additional charges have been located in the investment in road and equipment account for the acquisition of this property.

The above outlays may include some or all of the undetermined cost of certain lands classified herein as noncarrier lands and some or all of the undetermined portions, assignable to noncarrier lands, of the cost of lands classified herein as partly carrier and partly noncarrier. The Texas and New Orleans has not charged to its miscellaneous physical property account any amounts that represent these noncarrier lands. The cost of the above lands, so far as they are indicated by accounting records, together with certain amounts reported by the Texas and New Orleans as costs of such lands, but which are not supported in the accounts, are stated in the chapter on original cost to date.

ORIGINAL COST TO DATE

The original cost to date of the road and equipment, including land, owned by the Texas and New Orleans and used for common-carrier purposes, has not been definitely ascertained. For the following such property constructed by its predecessors in ownership, no accounting or construction records of the outlays for its original construction have been found:

Property	Recorded mileage
Texas and New Orleans Railroad Company (of 1856)	104.42
Sabine and East Texas Railway Company	103.23
Total	207.65

For creating and improving the remaining 264.311 miles of road, including land and equipment acquired from predecessors, and for additions and betterments by the Texas and New Orleans to the entire property, the data obtained are as follows:

Texas and New Orleans:	
Undeterminable portions of outlays recorded as investment in road and equipment, having a total of $10,626,059.22, as adjusted Nov. 30, 1888	
Recorded money outlay	$7,320,253.96
Funded debt issued at par value	3,216,892.20
Interest computed on open account advances	275,729.41
From which should be deducted such portions, not definitely determinable, as represent road and equipment retired, credited at	189,823.84
Texas Transportation Company:	
Recorded money outlay	307,181.19
Capital stock issued at par value	28,400.00
Interest on advances	33,937.54
From which should be deducted such portions, not definitely determinable, as represent road and equipment retired, credited at	28,830.36
Texas Trunk Railroad Company (3):	
Recorded money outlay	125,824.82
Outlays the nature of which is unknown on account of missing records	216,093.57

Texas Trunk Railroad Company—Continued.	
From which should be deducted such portions, not definitely determinable, as may be represented by road and equipment retired	
Louisiana Western Extension Railroad Company:	
Capital stock issued at par value	$50,000.00
Funded debt assumed at par value	134,000.00
From which should be deducted such portions, not definitely determinable, as may be represented by road and equipment retired	
Burr's Ferry, Browndel & Chester Railway Company:	
Recorded money outlay	353,736.99
Interest on advances	15,747.42
From which should be deducted such portions, not definitely determinable, as may be represented by road and equipment retired	

The several classes of outlay by the various companies above detailed are summarized as follows:

Recorded money outlay	$8,106,996.96
Capital stock issued at par value	78,400.00
Funded debt issued or assumed at par value	1,494,000.00
Nonnegotiable debt to affiliated companies	1,856,892.20
Interest on advances	325,414.37
Adjusting entry for which detail as to kinds of outlay represented is not obtainable	10,626,059.22
Other outlays the nature of which is not determinable on account of missing records	216,093.57
From which should be deducted such portions, not definitely determinable, as represent road and equipment retired and credited at	218,654.20

Besides the several classes of outlay above summarized, one of the predecessors, the Texas Trunk Railroad Company (3), charged to its income account items aggregating $93,861.96 purporting to be expenditures for physical property. However, since it is not possible, solely from an analysis of the accounts, to determine whether such charges represent the cost of additional property still in existence on date of valuation and do not represent renewals or replacements, in whole or in part, of property charged to the investment in road and equipment account and not written out, the amount has not been included in the above summary. On the other hand, it has not been determined whether there should not be further deductions for property retired.

The above outlays may include some or all of the undetermined cost of certain lands classified herein as noncarrier lands and some or all of the undetermined portions, assignable to noncarrier lands, of the cost of lands classified herein as partly carrier and partly noncarrier. The Texas and New Orleans or its predecessors have not charged to their miscellaneous physical property accounts any amounts that represent these noncarrier lands. The costs of the above lands, so far as they are indicated by accounting records, together with certain amounts reported by the Texas and New Orleans as costs of such lands, but which are not supported in the accounts, are stated in the section of this chapter that is devoted to cost of lands.

Cost of lands.—The Texas and New Orleans reports amounts aggregating $545,805.84 as the outlays by itself and its predecessors in connection with lands and rights owned or used by it, including noncarrier lands, and that the proceeds from the sales of parts of parcels of such lands aggregate $33,330.05. A verification of the amounts indicates that the reported outlays should be reduced by $1,420.47, as detailed below:

	Amount
Additions, understatement of costs	$270.00
Deductions:	
Estimated miscellaneous, incidental, and attendant costs	1,459.15
Costs reported for lands not owned	5.00
Payments for annual rentals	55.00
Payments to redeem land sold for nonpayment of taxes	65.72
Amount paid by citizens for lands donated	100.00
Overstatement of costs	5.60
Total	1,690.47
Net total deductions	1,420.47

The returns include certain lands which were donated; certain lands for which nominal deed considerations only are reported; certain streets and highways vacated to the Texas and New Orleans or its predecessors by municipalities without reported considerations; certain lands for which the agreements to convey are the only evidence of title; certain lands acquired through exchange of other lands; certain lands held by adverse possession; certain lands for which the considerations recited in deeds are nominal and other than of a monetary value; certain lands acquired by condemnation for which costs are not ascertainable; certain lands leased solely and certain lands leased jointly with no costs reported, and certain rights in public domain and in private lands without reported costs.

The amounts reported by the Texas and New Orleans as costs for the remaining lands owned, after making the changes noted above, are made up in part of costs supported by accounting records and in part of substantial considerations named in deeds, which the Texas and New Orleans returned as costs, but which are not supported by accounting records. These amounts and the proceeds from parts of parcels sold, both classified according to the classification herein of the lands to which they apply, are summarized as follows:

Classification	Costs supported by accounting records	Amounts not supported by accounting records
Lands classified as carrier:		
Owned and used (includes $37,093.24 unsupported costs not separable as between lands classified as carrier, noncarrier, and partly carrier and partly noncarrier)	$24,486.91	$349,443.39
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of	33,294.05	
Owned jointly and used jointly	10.00	
Total	24,496.91	349,443.39
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of	33,294.05	
Lands classified as noncarrier, owned		34,378.81
Lands classified as partly carrier and partly noncarrier:		
Owned and partly used	146.40	133,961.76
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of	36.00	
Rights in public domain classified as carrier, owned and used	1,958.10	

Cost of machinery and equipment.—The Texas and New Orleans reports that it owns and uses 1,945 units of equipment, 203 roadway machines, and certain machinery, with costs for all aggregating $3,066,822. A verification of the returns indicates that the number of units of equipment should be reduced by ten, the number of units of roadway machines should be increased by three, and that the costs should be reduced by $10,724, as detailed below.

Description	Units	Amount
Additions:		
Passenger-train cars—		
Freight charges omitted from return		$132
Clerical error		300
Freight-train cars, understatement of costs		15
Work equipment, understatement of costs		100
Roadway machines—		
Additional units inventoried	3	
Understatement of freight charges		43
Total	3	590
Deductions:		
Roadway machines, overstatement of freight charges		40
Shop machinery—		
Overstatement of costs		200
Interest during construction period estimated		2,273
Power-plant machinery, interest during construction period estimated		384
Steam locomotives, expenditures for additions and betterments already included in original cost		390
Freight-train cars—		
Not inventoried, lost, or destroyed prior to date of valuation	10	7,032
Overstatement of costs		95
Miscellaneous equipment, overstatement of costs		450
Total	10	10,864
Net total deductions	7	10,274

After making the changes noted above and classifying the returns according to the classification herein of the property to which they apply, the revised returns are summarized as follows:

Classification	Units	Costs supported by accounting records	Amounts estimated by the company or otherwise not supported by accounting records
Machinery:			
Roadway machines	206	$14,079	$7,949
Shop machinery		288,686	258,128
Power-plant machinery		37,634	3,028
Total		340,399	269,105
Equipment:			
Steam locomotives	33	414,644	43,288
Freight-train cars	1,724	1,491,507	59,698
Passenger-train cars	52	297,844	38,065
Work equipment	125	90,888	8,025
Miscellaneous equipment	1	3,050	35
Total	1,935	2,297,933	149,111

In addition the Texas and New Orleans used, on December 31, 1917, equipment detailed below, which was owned by the Southern Pacific Company. The amounts stated as representing costs are those taken from the returns of the owning company, as revised. The terms governing such use are given in the section of this report devoted to leased railway property.

Classification	Units	Costs
Steam locomotives	10	$223,177
Freight-train cars	1,094	1,339,629
Passenger-train cars	29	314,686
Total	1,133	1,877,492

MISCELLANEOUS PHYSICAL PROPERTY

The investment of the Texas and New Orleans in miscellaneous physical property on date of valuation is stated in its books as $180,046.05, representing track material leased to individuals and companies. The Texas and New Orleans' records indicate that contracts covering $3,691.43 of the above material had been canceled prior to date of valuation, but no adjustment has been made for such cancellations. If these adjustments were made, the account would be stated as $176,354.62.

There have been classified herein as noncarrier certain parcels of land and parts of parcels of land owned by the Texas and New Orleans. A summary of the costs of these lands, as reported by the Texas and New Orleans as applying thereto, with revisions made as previously explained, is stated in the chapter on original cost to date. The portion of such costs that would be includible in the miscellaneous physical property account has not been indicated by the records reviewed.

INVESTMENTS IN OTHER COMPANIES

The investments in other companies, as of date of valuation, of the Texas and New Orleans and of the United States Railroad Administration, made in connection with its operation of the property of the Texas and New Orleans, are as follows:

Investments in other companies by the Texas and New Orleans.—The investments of the Texas and New Orleans in other companies on date of valuation are stated in its records at a total book value of $370,338.53. The total of such investments made by the Texas and New Orleans to date of valuation amounts to $2,858,447.27 par value, of which $2,488,108.74 par value have been disposed of, leaving $370,338.53 par value of investments in other companies on the books on date of valuation. This amount is also their book value. A statement of the several investments recorded as of date of valuation, with their respective par values and book values, follows:

	Par value	Book value
Bonds:		
Sabine Valley Timber and Lumber Company, first-mortgage 5 per cent bonds	$278,000.00	$278,000.00
United States Government Liberty loan bonds—		
First Liberty loan 3½ per cent	$11,700	
Second Liberty loan 4 per cent	850	
	12,550.00	12,550.00
Total	290,550.00	290,550.00
Notes, sundry individuals and companies	27,570.35	27,570.35
Advances:		
Employees for Liberty loan subscriptions	40,390.43	40,390.43
Hospital Association, Southern Pacific Lines	11,827.75	11,827.75
Total	52,218.18	52,218.18
Grand total	370,338.53	370,338.53

The considerations recorded as passed in the acquisition of the investments recorded as of date of valuation are summarized as follows:

Description	Amount	Balance on date of valuation
Bonds:		
Acquired—		
Cash	$12,550.00	
Land sold	453,000.00	
Total	465,550.00	
Disposed of, cash	175,000.00	$290,550.00
Notes:		
Acquired—		
Land sold	2,264,322.96	
Track material sold	50,496.56	
Total	2,314,819.52	
Disposed of—		
Cash	2,270,840.51	
Uncollectible notes written off	16,408.66	
Total	2,287,249.17	27,570.35
Advances:		
Cash advances to purchase Liberty loan bonds for employees	66,250.00	
Cash advanced to Hospital Association	11,827.75	
Total	78,077.75	
Less collections from employees	25,859.57	52,218.18

Investment in other companies by the United States Railroad Administration.—Cash advances by the United States Railroad Administration during the six months ending with date of valuation, have totaled $180,411.40, of which $61,550.40 has been repaid, leaving a balance of $118,861 on date of valuation, as summarized below:

Third Liberty loan 4¼ per cent bonds purchased for employees	$180,000.00
Advances to Hospital Association, Southern Pacific Lines	411.40
Total	180,411.40
Less payments by employees on subscriptions	61,550.40
Balance as of date of valuation	118,861.00

AIDS, GIFTS, GRANTS, AND DONATIONS

The Texas and New Orleans reports the following aids, gifts, grants, and donations as having been received by it or its predecessors:

Description	Expense of acquisition	Amount
Land-grant lands,[1] 1,273,262 acres donated to predecessors by the State of Texas	$540,638.05	
Other lands,[1] various parcels donated to the Texas and New Orleans and its predecessors by the State of Texas, County of Orange, and various individuals	(2)	
Construction material donated to the Texas and New Orleans:		
Dirt for track at Bear Junction, donated by the City of Houston		$593.00
Lumber for depot at Connell, donated by Reese-Corriher Lumber Company		345.88
Total		938.88

[1] Neither the cost to the donors of donated lands nor the value at the time of acquisition was reported by the Texas and New Orleans.
[2] Not reported.

Land grants.—Under various acts of the Legislature of the State of Texas, predecessors of the Texas and New Orleans received the following lands:

Predecessor	Acres
Texas and New Orleans Railroad Company (of 1856)	1,206,062
Texas Trunk Railroad Company (1)	67,200
Total	1,273,262

The above acreage was disposed of as follows:

Predecessor	Consideration received	Expenses and taxes	Net amount received
Texas and New Orleans Railroad Company (of 1856)	$3,251,326.72	$540,638.05	$2,710,688.67
Texas Trunk Railroad Company (1)	3,581.00		3,581.00
Total	3,254,907.72	540,638.05	2,714,269.67

The Texas and New Orleans reports $4,423.12 as paid for other expenses of the Sabine and East Texas Railway Company, which reduces the net amount received to $2,709,846.55.

"Expenses and taxes," as above, includes for taxes $260,042.35 as paid by the Texas and New Orleans Railroad Company (of 1856).

While all of the above acreage was disposed of, the Texas and Orleans states that two sections, 1,280 acres, acquired by the Texas and New Orleans Railroad Company (of 1856), were repossessed on foreclosure of vender's lien or mortgage, and were held by the former company on date of valuation. The company states that the value at time of acquisition of these lands was 8 to 10 cents per acre and that their value at date of valuation is $2 per acre.

The commission is not able to report the amount or value of any concession or allowance that may have been made in consideration for any grants by governmental bodies.

In addition to the foregoing aids and donations reported by the Texas and New Orleans, the following were found of record:

Recipient	Donor	Description	Amount
Texas and New Orleans	Town of Liberty	6,000 acres of land, more or less	
Do	Individuals and companies.	Labor and material for construction of industry spurs, crossings, etc., from July 1, 1914, to date of valuation.	$15,964.02

The report of the Texas and New Orleans upon the cost of its lands shows that certain lands were acquired by it or its predecessors through deeds that recite merely nominal considerations. Since the records do not indicate that any actual payment was made in the acquisition of these lands, they have been herein designated as apparent aids.

MATERIAL AND SUPPLIES

The investment of the Texas and New Orleans in material and supplies on December 31, 1917, was $3,214,935.93. This amount was taken over to the books of the United States Railroad Administration and is stated on date of valuation as a deferred asset on the books of the Texas and New Orleans.

The investment of the United States Railroad Administration in material and supplies, assignable to the operation of this property, on date of valuation, is stated in its books as $3,612,415.59.

The general store at Houston supplies materials for all Texas lines of the Southern Pacific Company.

LEASED RAILWAY PROPERTY

The Texas and New Orleans used, on December 31, 1917, facilities owned by other companies and other companies used facilities owned by the Texas and New Orleans to the extent indicated in the statement below. The description of the property, the period and terms of use, and the rentals accrued and charged or credited to income for the year ended on December 31, 1917, are as follows:

	Rentals
Solely owned, but jointly used, used with—	
The Galveston, Harrisburg and San Antonio Railway Company; Houston & Texas Central Railroad Company; and The Houston East and West Texas Railway Company, joint yards and terminals at Houston, including 13.54 miles of road; 5 per cent per annum on valuation apportioned on basis of usage; maintenance, operation, and taxes on basis of usage; terminal facilities pooled and operated by the Texas and New Orleans as a unit [1]	$284,965.47
Houston & Texas Central Railroad Company, yard facilities at Dallas, including 2.87 miles of road; rental 2.5 per cent per annum on agreed valuation; maintenance, operation, and taxes on basis of usage	1,345.76
Texas State Railroad Company, joint terminal at Rusk, including 0.23 mile of road; rental 2 per cent per annum on valuation; 50 per cent of taxes and maintenance, operating expenses on basis of cars handled	178.14
Jointly used, but not owned, owned by—	
The Houston East and West Texas Railway Company, trackage rights and facilities between Dorr Junction and Bonita Junction, 3.58 miles of road; rental based on 2.5 per cent per annum on agreed valuation; maintenance, operation, and taxes on basis of usage; no cancellation clause, except from failure to pay bills, in which case 60 days' notice is required	2,068.49
The Galveston, Harrisburg and San Antonio Railway Company; Houston & Texas Central Railroad Company; and The Houston East and West Texas Railway Company, joint yards and terminals at Houston embracing 46.33 miles of road; rental a proportion of 5 per cent on agreed valuation; maintenance, operation, and taxes on basis of usage; majority vote cancels; operated by the Texas and New Orleans	322,739.71

[1] The terminal facilities at Houston of the Texas and New Orleans; The Galveston, Harrisburg and San Antonio Railway Company; Houston & Texas Central Railroad Company; and the Houston East and West Texas Railway Company, are pooled and operated as a unit by the Texas and New Orleans. Each company renders a bill against the Texas and New Orleans for facilities owned by it. These charges, together with rental of the Texas and New Orleans' facilities, plus expenses for maintenance and operation, are consolidated and each company is billed pro rata on the basis of usage, after deducting the payments received from the San Antonio and Aransas Pass Railway Company and the Galveston, Houston and Henderson Railroad Company, which companies also use the passenger terminal facilities at Houston.

Jointly used, but not owned, owned by—Continued.

Houston & Texas Central Railroad Company, trackage rights and freight terminal at Dallas, including 2.08 miles of road; rental 2.5 per cent per annum on agreed valuation; maintenance, operation, and taxes on basis of usage; 6 months' notice to cancel	$11, 387. 17
The Union Terminal Company (of Dallas), trackage rights, passenger station, and facilities at Dallas, including 1.87 miles of road; Texas and New Orleans is not a party to terminal agreement, but uses facilities of the Houston & Texas Central Railroad Company, which company bills the Texas and New Orleans for proportion of expenses on basis of usage	11, 889. 17
Gulf, Colorado and Santa Fe Railway Company, trackage rights, connection with the Houston & Texas Central Railroad Company and the Union Terminal Company (of Dallas), at Dallas, over 0.69 mile of road; rental 60 cents per train mile; the Texas and New Orleans reimburses the Houston & Texas Central Railroad Company	
Texas State Railroad Company, trackage rights at Rusk, 0.27 mile of road; contract not executed; under consideration on date of valuation	

On December 31, 1917, the Texas and New Orleans used 1,131 units of equipment, which it leased from the Southern Pacific Company, at a monthly rental based on one-half of 1 per cent on the cost of the equipment, plus a monthly depreciation based on 3 per cent per annum. The equipment consisted of the following classes and units.

Class	Units
Steam locomotives	10
Freight-train cars	1,094
Passenger-train cars	27

In addition there were certain other facilities of the Texas and New Orleans used jointly with other companies, and facilities of other companies used jointly with the Texas and New Orleans, consisting principally of interlockers, signal towers, crossing protections, minor station, and interchange facilities.

GENERAL BALANCE SHEET STATEMENTS

The general balance sheet statement of the Texas and New Orleans, as of date of valuation follows:

ASSETS

Investments:	
Investment in road and equipment	$23, 155, 399. 69
Miscellaneous physical property	180, 046. 05
Other investments—	
Bonds	290, 550. 00
Notes	27, 570. 35
Advances	52, 218. 18
Total	23, 705, 784. 27

Current assets:	
Cash	$10, 540. 43
Loans and bills receivable	2, 514. 33
Miscellaneous accounts receivable	77, 718. 65
Rents receivable	363, 192. 06
Other current assets	343. 73
Total	454, 309. 20
Deferred assets:	
Working fund advances	576. 81
Other deferred assets	4, 367, 892. 68
Total	4, 368. 469. 49
Unadjusted debits:	
Rents and insurance premiums paid in advance	6, 105. 42
Other unadjusted debits	123, 783. 31
Total	129, 888. 73
Grand total	28, 658, 451. 69

LIABILITIES

Stock, capital stock	5, 000, 000. 00
Long-term debt:	
Funded debt unmatured	10, 021, 111. 72
Open accounts	3, 212, 767. 20
Total	13, 233, 878. 92
Current liabilities:	
Audited accounts and wages payable	6, 947. 05
Miscellaneous accounts payable	241. 58
Interest matured unpaid	41, 205. 00
Unmatured interest accrued	154, 974. 31
Other current liabilities	1, 051. 22
Total	204, 419. 16
Deferred liabilities, other deferred liabilities	1, 342, 030. 61
Unadjusted credits:	
Tax liability	157, 804. 03
Insurance and casualty reserves	36, 711. 35
Accrued depreciation, road	46, 180. 91
Accrued depreciation, equipment	1, 307, 856. 07
Other unadjusted credits	365, 825. 16
Total	1, 914, 377. 52

Corporate surplus, additions to property through income and surplus	$7, 759. 88
Total appropriated surplus	7, 759. 88
Profit and loss, credit balance	6, 955, 985. 60
Total	6, 963, 745. 48
Grand total	28, 658. 451, 69

The general balance sheet statement of the United States Railroad Administration, as of date of valuation, covering operation of the property of the Texas and New Orleans, follows:

ASSETS

Investments, other investments:	
Notes	$69. 52
Advances	118, 861. 00
Total	118, 930. 52
Current assets:	
Cash	1, 149, 670. 59
Net balance receivable from agents and conductors	267, 213. 19
Miscellaneous accounts receivable	908, 537. 83
Material and supplies	3, 612, 415. 59
Total	5, 937, 837. 20
Deferred assets:	
Working-fund advances	2, 807. 90
Other deferred assets	1, 340, 419. 96
Total	1, 343, 227. 86
Unadjusted debits:	
Rents and insurance premiums paid in advance	29. 21
Other unadjusted debits	151, 587. 55
Total	151, 616. 76
Grand total	7, 551, 612. 34

LIABILITIES

Long-term debt, nonnegotiable debt to affiliated companies, open accounts	375, 944. 79
Current liabilities:	
Audited accounts and wages payable	1, 494, 331. 19
Miscellaneous accounts payable	534, 395. 72
Other current liabilities	24, 706. 67
Total	2, 053, 433. 58
Deferred liabilities, other deferred liabilities	4, 299, 019. 26

Unadjusted credits:	
Tax liability	$128, 250. 35
Insurance and casualty reserves	3, 473. 09
Operating reserves	*Dr. 202, 542. 55*
Accrued depreciation, equipment	44, 378. 58
Other unadjusted credits	56, 979. 76
Total	30, 539. 23
Corporate surplus, profit and loss, credit balance	792, 675. 48
Grand total	7, 551, 612. 34

TEXAS AND NEW ORLEANS RAILROAD COMPANY (OF 1856)—SABINE AND GALVESTON BAY RAILROAD AND LUMBER COMPANY—PREDECESSOR OF THE TEXAS AND NEW ORLEANS

INTRODUCTORY

The accounting records of this company were not obtained. Therefore, no information can be given regarding its financial dealings, corporate operations, or investments. However, certain data indicated below were obtained from the records of the Texas and New Orleans, records of minutes of the Texas and New Orleans Railroad Company (of 1856) and court records.

This company owned and operated until 1865, when its road was dismantled by the forces of the Confederacy, a single-track steam railroad of 5.5-foot gage, all in Texas, extending from Houston to Orange, a point on the Sabine River, 104.72 miles.

On December 18, 1869, the property was placed in the hands of Josiah F. Crosby as receiver and special master and chancellor, and the line between Houston and West Liberty, about 35 miles, was operated by the receiver until November 8, 1872.

The property was sold under foreclosure and conveyed to John T. Terry, trustee, on November 8, 1872, and was held by him, as trustee, until July 16, 1875, on which date the property was conveyed to the Texas and New Orleans by Terry and associates, for a nominal consideration.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The entire 104.72 miles owned by the company on the date of demise had been acquired by it through construction. During 1865 the road was dismantled by forces of the Confederacy. The portion of the lines between Houston and West Liberty, about 35 miles, was rebuilt prior to 1870. Further details with respect to the construction of this property are given in the chapter on development of fixed physical property of the Texas and New Orleans.

HISTORY OF CORPORATE FINANCING

According to certain court records the company issued funded debt and secured a loan from the State of Texas school funds as follows:

First-mortgage 8 per cent bonds:		
First series	$1, 500, 000	
Second series	240, 000	
		$1, 740, 000
State of Texas school-fund loan		430, 500
Total		2, 170, 500

The first series 8 per cent bonds were dated November 1, 1858, and matured November 1, 1878. The second series 8 per cent bonds were dated January 1, 1861, and matured January 1, 1876.

This company secured from the Texas State school funds, during the period from August 26, 1860, to January 19, 1861, loans aggregating $430,000; which on May 1, 1870, with accrued interest, amounted to $651,131.25. The manner of retiring this debt is not shown up to the time it was taken up on the books of the Texas and New Orleans on November 30, 1888, at which time that company assumed a liability in open account to the State of Texas, amounting to $448,921.94.

By reason of the company's failure to pay interest on its bonds, suits were brought to foreclose the mortgages, and by decree of the United States Circuit Court, Western District of Texas, the property was placed in the hands of Josiah F. Crosby, as receiver and special manager and chancellor, as hereinbefore set forth, with authority to sell the properties in the event payment of bonds and interest thereon remained in default on March 1, 1870. Under this decree the railroad, with its franchises between Liberty and Orange, known as section 2, except donated lands, was sold under foreclosure on May 1, 1871, to John T. Terry, trustee, for a consideration of $220,000. There were likewise sold to John T. Terry, trustee, on October 8, 1872, for a consideration of $157,577, all lands and land warrants or certificates acquired by purchase or donation not used in the operations, except such certificates (not exceeding 440 sections) which may have been issued or transferred to contractors for construction of road.

From supplemental court decrees of May 23, 1872, and August 10, 1872, the railroad properties of the Texas and New Orleans Railroad Company (of 1856) from Houston to Liberty, known as section 1, were also sold to John T. Terry, trustee, on October 8, 1872, for the sum of $240,000. On November 7, 1872, the sales were confirmed by the court, and on November 8, 1872, titles to the properties were conveyed to the said trustee. The accounting records during John T. Terry's trusteeship were not obtained.

Sabine and East Texas Railway Company—East Texas Railway Company—Predecessor of the Texas and New Orleans

The accounting records of the Sabine and East Texas Railway Company were not obtainable. Therefore, no information can be given from the accounts in connection with its finances, corporate operations, or investments. However, certain information has been obtained from the corporate history return of the Texas and New Orleans. On the date of demise, October 28, 1882, this company owned and operated a single-track, standard-gage, steam railroad extending from Sabine Pass to Rockland, Tex., and intersecting with the main line of the Texas and New Orleans at Beaumont, 103.23 miles, all of which had been acquired by construction between 1880 and 1882. The property of this company was operated by its own organization from the time the construction was completed on the different sections until the date of demise.

Texas Transportation Company—Predecessor of the Texas and New Orleans

INTRODUCTORY

The accounting records of the Texas Transportation Company were incomplete. For this reason only partial information can be given from the accounts in connection with its finances, corporate operations, and investments. The property

of this company was operated from September, 1876, to the date of demise, as follows:

Operated by—	Period
C. A. Whitney and Company, agents Charles Morgan	Sept. 1876, to Dec. 31, 1882.
Morgan's Louisiana and Texas Railroad and Steamship Company	Jan. 1, 1883, to June 30, 1885.
Southern Pacific Company	July 1, 1885, to Dec. 31, 1891.
Own organization	Jan. 1, 1892, to June 1, 1896.

The railroad owned by the Texas Transportation Company on the date of its demise consisted of a single-track, standard-gage, steam railroad, extending from Houston to Clinton, Tex., 7.40 miles, all of which had been acquired through construction prior to September, 1876.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records reviewed do not indicate that any syndicating arrangements were made in connection with the issuance of securities.

The company issued its securities and incurred other indebtedness under conditions and for considerations described in detail in the sections of this chapter devoted to capital stock, long-term debt, and other obligations. The road was financed by Charles Morgan, a New York capitalist prominently identified with various railroads in Louisiana and Texas and with steamship lines between New York and New Orleans and on the Gulf of Mexico.

Capital stock and long-term debt.—From the date of its incorporation, June 1, 1896, to the date of sale the Texas Transportation Company issued capital stock and funded debt and incurred nonnegotiable debt to affiliated companies, as indicated by its records, aggregating $1,166,186.02, of which $455,411.14 were outstanding on the date of sale, as summarized in the following table:

Class	Issued	Retired	Actually outstanding
Capital stock, par value, common	$28,400.00		$28,400.00
Funded debt, par value, issued	350,000.00		350,000.00
Nonnegotiable debt to affiliated companies, incurred	787,786.02	$710,774.88	77,011.14
Total	1,166,186.02	710,774.88	455,411.14

Capital stock.—The authorized capital stock was originally $1,000,000 par value, divided into shares of $100 par value each, and classed as common stock. The amount of the authorized capital stock was increased on November 23, 1877, to $5,000,000 par value. Of the amount authorized, stock of a par value of $28,400 was actually issued and was recorded on the books of the company on December 31, 1888, as having been issued for construction. The amount issued was charged at par to the investment in road and equipment account.

Funded debt.—The company issued, on August 31, 1893, to the Morgan's Louisiana and Texas Railroad and Steamship Company, $350,000 par value of first-mortgage 5 per cent gold bonds, dated August 1, 1893, to mature August 1, 1923, in settlement of open account advances, all of which were outstanding on date of demise.

Nonnegotiable debt to affiliated companies.—The company incurred nonnegotiable debt aggregating $787,786.02 to date of demise, classified as open accounts, of which $710,774.88 was repaid to the date of sale, leaving $77,011.14 owing.

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The considerations recorded as passed in connection with incurring and repayment of this debt were as detailed hereunder.

Amount	Consideration	Recorded value
Incurred		
$408,957.63	Property	$408,957.63
43,750.00	Interest on funded debt	43,750.00
335,078.39	Cancellation of notes payable	335,078.39
787,786.02	Total	787,786.02
Repaid		
$350,000.00	First-mortgage bonds	350,000.00
335,078.39	Note issued in settlement of construction advances	335,078.39
25,696.49	Operating revenues collected in excess of expenses paid, Jan. 1, 1892, to May 31, 1896	25,696.49
710,774.88	Total	710,774.88
Owing		
$77,011.14		

Short-term notes.—On April 8, 1878, the Texas Transportation Company issued a short-term note of $335,078.39 par value to Charles Morgan in payment of advances in open account for construction recorded at $301,140.85, and computed interest on same to November 30, 1877, amounting to $33,937.54. On August 31, 1893, the note was retired and the indebtedness transferred to open account with the Morgan's Louisiana and Texas Railroad and Steamship Company, which company was later reimbursed by the issuance of the Texas Transportation Company's first-mortgage bonds.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts, are given below.

Income statement.—From September, 1876, to December 31, 1891, the properties of this company were operated for account of Charles Morgan, Morgan's Louisiana and Texas Railroad and Steamship Company, and the Southern Pacific Company. The operations during that period are recorded as follows:

Railway operating revenues	$323,478.61
Railway operating expenses	382,041.84
Net deficit from operation	58,563.23

A condensed summary of the income accounts for the period from January 1, 1892, to the date of demise, follows:

Operating income:	
Railway operating revenues	$90,478.86
Railway operating expenses	50,008.79
Net revenue from railway operations	40,470.07
Railway tax accruals	5,153.41
Total operating income	35,316.66
Nonoperating income	3,039.90
Gross income	38,356.56
Deductions from gross income	57,443.89
Net deficit	19,087.33
Disposition of net income, income debit balance transferred to profit and loss	19,087.33

Profit and loss statement.—The only entry in the profit and loss account for the period from January 1, 1892, to the date of demise was the debit balance of $19,087.33 transferred from income.

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Texas Transportation Company in road and equipment, including land, on the date of demise, was stated in its books as $437,357.63, of which the following is a general analysis:

Recorded money outlay, advances by—		
Charles Morgan	$301,140.85	
Morgan's Louisiana and Texas Railroad and Steamship Company	5,470.94	
Texas and New Orleans	569.40	
		$307,181.19
Capital stock at par value		28,400.00
Computed interest on construction advances		33,937.54
Total		369,518.73
Less equipment sold and credited at		11,270.00
Net of above		358,248.73
Other item, not in accord with the present classification of accounts, interest on open account and advances to July 31, 1893		79,108.90
Total recorded as of the date of demise		437,357.63

In addition to the retirements shown above, there was sold to the Morgan's Louisiana and Texas Railroad and Steamship Company certain property recorded at $17,560.36 which was not written out of the investment account.

LOUISIANA WESTERN EXTENSION RAILROAD COMPANY—PREDECESSOR OF THE TEXAS AND NEW ORLEANS

INTRODUCTORY

The accounting records of this company prior to March 1, 1885, were not obtained. Therefore, only partial information can be given from the accounts in connection with its finances, corporate operations, or investments.

The property of the company was operated from the date of completion to the date of demise, as follows:

Operated by—	Period
Louisiana Western Railroad Company	March, 1881, to Feb. 28, 1885.
Southern Pacific Company	Mar. 1, 1885, to June 30, 1897.
Louisiana Western Railroad Company	July 1, 1897, to June 30, 1899.
Texas and New Orleans	July 1, 1899, to Feb. 10, 1900.

The railroad owned by this company on the date of its demise consisted of a line from Orange to the Sabine River, near Echo, all in Texas, 6.42 miles, and served as a connecting link between the Texas and New Orleans and the Louisiana Western Railroad Company.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The entire 6.42 miles was constructed concurrently and in conjunction with the Louisiana Western Railroad Company, between March, 1878, and March, 1881.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The Louisiana Western Extension Railroad Company was financed by the Louisiana Western Railroad Company, in conjunction with the financing for construction of the latter company's line between Lafayette, La., and the Texas-Louisiana State line at the Sabine River. The company issued its securities under conditions and for considerations described in detail in the sections of this chapter devoted to capital stock and long-term debt.

Capital stock and long-term debt.—From the date of its incorporation, March 31, 1879, to the date of demise, this company issued or assumed capital stock and funded debt, as indicated by its records, aggregating $184,000 par value, all of which was actually outstanding on the date of demise, as summarized in the following table:

Class	Issued or assumed and actually outstanding
Capital stock, par value, common	$50,000
Funded debt, par value, assumed	134,000
Total	184,000

Capital stock.—The authorized capital stock of the company was $50,000 par value, divided into shares of $100 par value each, all of which was issued, according to the records, on September 30, 1888, and charged at par value to the investment in road and equipment account.

Funded debt.—This company issued no funded debt of its own. On September 30, 1888, it assumed payment of $134,000 par value first-mortgage 40-year 6 per cent bonds, due July 1, 1921, of the Louisiana Western Railroad Company. The amount assumed was based on $20,000 per mile for 6.7 miles of completed road and was to compensate the Louisiana Western Railroad Company for constructing and equipping the line between Orange and Echo. The par value of the bonds assumed was charged by the Louisiana Western Extension Railroad Company to its investment in road and equipment account.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations prior to March 1, 1885, could not be ascertained from the obtainable records. The property of this company was leased to the Southern Pacific Company for sole operation from March 1, 1885, to June 30, 1889, under the terms of the so-called "Omnibus lease," which was canceled on the latter date. The records do not show any rental as having been received for the use of the property during the leased period.

Income statement.—A condensed summary of the income accounts for the period from July 1, 1889, to the date of demise, follows:

Operating income:	
Railway operating revenues	$613,722.95
Railway operating expenses	308,510.86
Net revenue from railway operations	305,212.09
Railway tax accruals	8,010.41
Total operating income	297,201.68
Nonoperating income	12,542.56
Gross income	309,744.24
Deductions from gross income	85,279.08
Net income	224,465.16
Disposition of net income, income credit balance transferred to profit and loss	224,465.16

Profit and loss statement.—A condensed summary of the profit and loss account for the period from July 1, 1889, to the date of demise, follows:

Credits, net credit balance transferred from income	$224,465.16
Debits, miscellaneous debits	1,195.00
Credit balance on date of demise	224,453.21

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Louisiana Western Extension Railroad Company in road and equipment, including land, on date of demise, was stated in its books as $184,000, of which the following is a general analysis:

Capital stock at par value	$50,000
First-mortgage bonds of the Louisiana Western Railroad Company assumed, par value	134,000
Total recorded as of date of demise	184,000

INVESTMENT IN OTHER COMPANIES

The investments of the Louisiana Western Extension Railroad Company in other companies on the date of demise were stated in its records at a total book value of $224,453.21, which consisted of an open account with the Louisiana Western Railroad Company in which was recorded the corporate surplus of the Louisiana Western Extension Railroad Company for the period from July 1, 1889, to the date of demise.

TEXAS TRUNK RAILROAD COMPANY (3).—TEXAS TRUNK RAILROAD COMPANY (2).—TEXAS TRUNK RAILROAD COMPANY (1).—PREDECESSORS OF THE TEXAS AND NEW ORLEANS

INTRODUCTORY

The accounting records of the Texas Trunk Railroad Company (1) and the Texas Trunk Railroad Company (2) were not obtainable. Therefore no information can be given from the accounts as to their finances, corporate operations, or investments. The accounting records of the Texas Trunk Railroad Company (3) are fragmentary, and such as were obtainable consist principally of partial records for the period from November 19, 1885, to September 8, 1891, and partial

records for the time during which Charles Dillingham was receiver. Certain information given below was also obtained from annual reports from the above companies to us and other sources.

Between November 6, 1879, the date of incorporation of the Texas Trunk Railroad Company (1), and August, 1881, that company constructed a single-track, standard-gage railroad from Dallas to Kaufman, Tex., about 36 miles. This line was operated as follows:

Operated by—	Period
Own organization	August, 1881, to Dec. 5, 1881.
Thomas M. Simpson, receiver	Dec. 5, 1881, to Jan. 27, 1882.
H. T. Nash, receiver	June 27, 1882, to Jan. 25, 1883.
C. A. Keating, receiver	Jan. 25, 1883, to July 2, 1883.

On May 1, 1883, the properties of the Texas Trunk Railroad Company (1) were sold under foreclosure to M. F. Dickinson and others, purchasing trustees, who operated the property until it was turned over to the Texas Trunk Railroad Company (2).

Between June 15, 1883, and December 1, 1883, the Texas Trunk Railroad Company (2) extended the road from Kaufman to Cedar (now Gossett), Tex., and the line was operated by its own organization from July 2, 1883, to October 6, 1885.

On July 7, 1885, and August 5, 1885, the properties of the Texas Trunk Railroad Company (2) were sold under execution from the District Court of Dallas County, Texas, to J. E. Schneider and others, and to the same parties on October 6, 1885, under order of sale from the United States Circuit Court. Title was conveyed to the purchasers by sheriffs of Dallas and Kaufman Counties, Tex., on July 8 and August 4, 1885, and by the United States marshal on October 6, 1885.

Texas Trunk Railroad Company (3) was organized about November 19, 1885, (exact date unknown), and acquired by purchase from J. E. Schneider and others, about that date, the line of road extending from Dallas to Cedar (now Gossett), 51.81 miles. The road was operated as follows:

Operated by—	Period
J. E. Schneider	Oct. 6, 1885, to Nov. 19, 1885.
Own organization	Nov. 19, 1885, to Sept. 25, 1889.
John H. Traylor, receiver	Sept. 25, 1889, to Nov. 22, 1889.
Own organization	Nov. 22, 1889, to Sept. 4, 1891.
Chas. Dillingham, receiver	Sept. 4, 1891, to Dec. 7, 1892.
George T. Atkins, receiver	Dec. 7, 1892, to Sept. 1, 1896.
William Whyte, receiver	Sept. 1, 1896, to Dec. 22, 1899.

HISTORY OF CORPORATE FINANCING

The financial transactions of the Texas Trunk Railroad Company (3) were not fully disclosed by the records reviewed. The accounts reflect at September 8, 1891, a balance of $300,297.50 as owing to S. H. Kneeland for cash advances, which was outstanding in open account. The manner of settlement was not shown by the records available.

From January 26, 1892, to September 2, 1892, receiver's certificates, aggregating $110,000, bearing 7 per cent interest, were issued to C. P. Huntington in part settlement of open-account advances. These certificates were issued during the receivership of Charles Dillingham, who was succeeded as receiver by George T. Atkins, effective December 7, 1892. The accounting records covering the receivership

of Atkins were not available, but the annual reports to us for the years ended June 30, 1895, to 1899, inclusive, show liability for receivers' certificates, aggregating $171,678.27, outstanding as of the latter date, including therein the amount of $110,000 as shown above, all of which had been issued prior to July 11, 1894, and on which interest had been stopped April 10, 1896, that being the day after transferring title to the properties to Edward H. Pardee. In partial settlement of the purchase price Pardee was permitted by the court to deposit receiver's certificates in lieu of cash.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations as shown in the income and profit and loss accounts of the Texas Trunk Railroad Company (3) for the period from November 19, 1885, to September 8, 1891, are stated below.

Income statement.—A condensed summary of the income accounts for the period from November 19, 1885, to September 8, 1891, follows:

Railway operating income	$251, 618. 74
Railway operating expenses	356, 683. 69
Total operating deficit	105, 064. 95
Additions and betterments charged to income	89, 823. 08
Total deficit	194, 888. 03
Income debit balance transferred to profit and loss	194, 888. 03

A condensed summary of the income accounts, as taken from the annual reports to us, for the period from September 25, 1891, to June 30, 1899, are stated below:

Operating income:	
Railway operating revenues	$542, 854. 74
Railway operating expenses	480, 167. 50
Net revenue from railway operations	62, 687. 24
Railway tax accruals	30, 561. 05
Total operating income	32, 126. 19
Nonoperating income	264. 93
Gross income	32, 391. 12
Deductions from gross income	30, 624. 94
Net income	1, 766. 18
Disposition of net income, income credit balance transferred to profit and loss	1, 766. 18

Profit and loss statement.—The only item in the profit and loss account for the period from November 19, 1885, to September 8, 1891, was the net debit balance of $194,888.03 transferred from income. A condensed summary of the profit and loss account for the period from September 24, 1891, to June 30, 1899, follows:

Credits:	
Net credit balance transferred from income	$1, 766. 18
Miscellaneous credits	6, 748. 01
Credit balance as of June 30, 1899	8, 514. 19

INVESTMENT IN ROAD AND EQUIPMENT

The balance in the investment in road and equipment account of the Texas Trunk Railroad Company (3), on September 8, 1891, was $140,986.77, as shown by an account styled "Construction," the details of which were not obtained. In addition, the receivers reported expenditures for physical property during the period from September 25, 1891, to June 30, 1899, amounting to $200,931.62, as shown by the annual reports to us, of which the following is a general analysis:

Recorded money outlay	$125,824.82
Outlays the nature of which are unknown on account of incomplete records	75,106.80

The item of $75,106.80 shown above represents a difference between the cost of road as stated in the balance sheet and as stated in the annual report of the company to us for the year 1892, which could not be explained by the officers of the company in 1898, when an explanation was requested.

The outlays above outlined total $341,918.39. This balance, so far as it is resolvable into its constituent elements, comprises the following classes of outlay:

Recorded money outlay	$125,824.82
Outlays the nature of which are unknown on account of incomplete records	216,093.57

In addition the company charged to its income account $89,823.08 purporting to be expenditures for investment in physical property.

BURR'S FERRY, BROWNDEL & CHESTER RAILWAY COMPANY—PREDECESSOR OF THE TEXAS AND NEW ORLEANS

INTRODUCTORY

The records reviewed indicated that this company was controlled by the Southern Pacific Company, through ownership of a majority of its capital stock, on July 1, 1914, the date of its demise. The property of this company was operated for and on account of John H. Kirby from March 9, 1907, to July 31, 1912. From the latter date to the date of demise the property was operated for and on account of the Southern Pacific Company. The railroad owned by the company on the date of its demise was a single-track, standard-gage steam railroad, located entirely within Texas, and extended from Rockland, a point on the line of the Texas and New Orleans, to about one mile east of Turpentine, 11.12 miles.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The entire road owned on the date of demise had been acquired through construction. In addition to the line completed, this company partially completed 16.73 miles between Turpentine and Browndel, the grading having been done and all the bridges except the one across Angelina River having been completed. The track, however, had not been laid on this section of the road on the date of demise. Further details with respect to the construction of this property are given in the chapter on development of fixed physical property in the report on the Texas and New Orleans.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records reviewed do not indicate that any syndicating arrangements were made in connection with the issuance of the securities of this company. The road was constructed through funds advanced in open account by John H. Kirby, the owner of the property.

Capital stock and long-term debt.—From the date of its incorporation, January 2, 1906, to the date of demise this company issued capital stock and long-term debt, as indicated by its records, aggregating $839,541.93, of which $383,333.72 were actually outstanding on the date of demise, as summarized in the following table:

Class	Issued	Retired	Actually outstanding
Capital stock, par value, common	$80,000.00		$80,000.00
Funded debt, par value	165,000.00		165,000.00
Nonnegotiable debt to affiliated companies	594,541.93	$456,208.21	138,333.72
Total	839,541.93	456,208.21	383,333.72

Capital stock.—The authorized capital stock was $80,000 par value, divided into shares of $100 each, all of which was issued to John H. Kirby, at par, in partial settlement of open account advances. The total amount issued was actually outstanding on the date of demise.

Funded debt.—This company issued on July 31, 1912, first-mortgage 30-year 6 per cent gold coupon bonds, due April 1, 1937, of a par value of $165,000. The amount authorized was not to exceed $40,000 per mile of completed road. These bonds were issued to John H. Kirby, at par, in partial settlement of open-account advances. The total amount issued was actually outstanding on the date of demise, and the properties were sold to the Texas and New Orleans, subject to the existing bond indebtedness of the Burr's Ferry, Browndel & Chester Railway Company.

Nonnegotiable debt to affiliated companies.—This company incurred nonnegotiable debt to John H. Kirby, the Southern Pacific Company and the Rio Bravo Oil Company, aggregating $594,541.93 to June 30, 1914, classified as open accounts, of which $456,208.21 had been repaid, leaving $138,333.72 owing. The considerations recorded as passed in connection with incurring and repayment of this debt were as detailed hereunder.

Amount	Consideration		Recorded value
Incurred			
$445,699.34	Cash advances		$445,699.34
130,071.83	Operating expenses and rentals paid		130,071.83
16,500.00	Interest on funded debt		16,500.00
1,341.47	Interest on open account		1,341.47
929.29	Current assets collected in excess of liabilities paid Aug. 1, 1912, to June 30, 1914, account of John H. Kirby		929.29
594,541.93	Total		594,541.93
Repaid			
$195,208.21	Operating revenues and income items collected		195,208.21
165,000.00	First-mortgage bonds at par		165,000.00
80,000.00	Capital stock at par		80,000.00
16,000.00	Cash payments		16,000.00
456,208.21	Total		456,208.21
Owing			
$138,333.72	Divided as follows:		
	John H. Kirby	$111,992.25	
	Southern Pacific Company	14,341.47	
	Rio Bravo Oil Company	12,000.00	

After sale of the properties, the amount due Kirby was written off to profit and loss, while liability for the amounts due the Southern Pacific Company and the Rio Bravo Oil Company were assumed by the Texas and New Orleans.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts are given below:

Income statement.—A condensed summary of the income accounts for the period from March 1, 1907, to the date of demise, follows:

Operating income:	
Railway operating revenue	$234, 884. 02
Railway operating expenses	168, 780. 24
Net railway from revenue operations	66, 103. 78
Railway tax accruals	5, 136. 35
Total operating income	60, 967. 43
Nonoperating income	17, 832. 14
Gross income	78, 797. 57
Deductions from gross income	38, 370. 69
Net income	40, 428. 88
Disposition of net income, income credit balance transferred to profit and loss	40, 428. 88

Profit and loss statement.—A condensed summary of the profit and loss account for the period from March 9, 1907, to the date of demise, follows:

Credits:	
Net credit balance transferred from income	$40, 428. 88
Miscellaneous credits	24. 78
Total	40, 453. 66
Debits:	
Delayed income debits	3, 644. 69
Miscellaneous debits	77. 35
Total	3, 722. 04
Credit balance as of date of demise	36, 731. 62

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Burr's Ferry, Browndel & Chester Railway Company in road and equipment, including land, on date of demise, was stated in its books as $421,874.43, of which the following is a general analysis:

Recorded money outlay	$353, 736. 99
Interest on open account advances to July 1, 1908	15, 747. 42
Total	369, 484. 41
Other items, not in accord with the present classification of accounts:	
Interest on advances from July 1, 1908, to July 31, 1912, inclusive	36, 991. 52
Operating expenses, July 1, 1909, to July 31, 1912, inclusive	15, 491. 09
Funded debt expense, certifying bonds	165. 00
Interest acquired on current accounts	*Cr. 257. 59*
Total recorded as of date of demise	421, 874. 43

SECTION 7

Valuation Docket No. 784

Louisiana Western Railroad Company

Location and general description of property.—The railroad of the Louisiana Western Railroad Company, hereinafter called the Louisiana Western, is a single-track, standard-gage, steam railroad, located in the southern part of Louisiana. The owned mileage extends eastwardly from the Texas-Louisiana State line at Sabine River to Lafayette, a distance of 105.888 miles, with branch lines from Mallard Junction to Lake Arthur, from Midland to Abbeville, and from Midland to Mamou, aggregating 102.219 miles, or a total main-line mileage of 208.107 miles. The Louisiana Western also owns and uses 75.084 miles of yard tracks and sidings. Its road thus embraces 283.191 miles of all tracks owned.

The Louisiana Western forms a part of the Atlantic System of the Southern Pacific Company and its main line is an important link in that carrier's through transcontinental route from New Orleans to San Francisco.

Capital stock and long-term debt.—The Louisiana Western had outstanding on date of valuation, a total par value of $5,600,000 in stock and long-term debt, of which $3,360,000 represented capital stock and $2,240,000 funded debt.

Results of corporate operations.—For the period from July 1, 1881, to December 31, 1917, the aggregate railway operating expenses have been 62.9 per cent of the railway operating revenues, and for the period of 10½ years preceding December 31, 1917, 62.4 per cent. The ratios and the net railway operating income for the years ended on June 30, 1908 to 1916, for the six months ended December 31, 1916, for the year ended December 31, 1917, are given in the table below.

Year	Ratio	Income	Year	Ratio	Income
1909	56. 2	$831, 611	1914	72. 7	$599, 713
1910	64. 3	665, 511	1915	70. 3	547, 218
1911	69. 1	563, 885	1916	62. 6	792, 114
1912	72. 3	456, 635	1916 [1]	51. 8	619, 674
1913	68. 2	724, 523	1917	46. 2	1, 520, 715

[1] 6 months.

During the period of 10 years preceding date of valuation cash dividends have been declared, averaging for the entire period 12 per cent per annum on the average amount of capital stock outstanding.

Original cost to date.—The original cost to date of all common-carrier property of the Louisiana Western can not be ascertained, as the necessary records are not obtainable. Such information respecting actual expenditures as can be ascertained will be found in Appendix 2.

Investment in road and equipment.—The investment of the Louisiana Western in road and equipment, including land, on date of valuation is stated in its books as $9,900,983.61. With readjustments required by our accounting examination, this amount would be reduced to $9,772,310.37, of which $8,315,577.50, less an undetermined portion thereof assignable to offsetting items included in amounts recorded at $776,902.21, represents considerations other than money, the cash value of which at the time of the transaction we are not able to report, because it has been impossible to obtain the necessary information. Further information will be found in Appendix 2.

Cost of reproduction new and cost of reproduction less depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land, owned or used by the Louisiana Western, are as shown below. Its portions of jointly owned minor facilities are included in the wholly owned and used property.

Classification	Cost of reproduction new	Cost of reproduction less depreciation
Wholly owned and used	$7,834,205	$5,622,339
Used but not owned, leased from the Southern Pacific Company	1,005,732	879,572
Total owned	7,834,205	5,622,339
Total used	8,839,937	6,501,911

These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are shown in summary sheets in Appendix 1. Information as to the character of the property used but not owned will be found in Appendix 2, under leased railway property.

Cost of lands, rights of way, and terminals at time of dedication to public use, and their present value.—The Louisiana Western owns and uses for common-carrier purposes 3,912.31 acres of lands. The total original cost of these lands can not be ascertained, as the necessary records are not obtainable, but data that are obtainable on their original cost will be found in Appendix 2. Their present value is $862,113.

Property held for purposes other than those of a common carrier.—The Louisiana Western owns and holds for noncarrier purposes 577.95 acres of lands. The total original cost of lands classified as noncarrier can not be ascertained, as the necessary records are not obtainable, but data that are obtainable on their original cost will be found in Appendix 2. The present value of the 577.95 acres of noncarrier lands, and improvements thereon, owned by the Louisiana Western, is $57,890. The present value of noncarrier structures on carrier land is $1,000.

The Louisiana Western owns miscellaneous physical property with a recorded value of $6,287.54, of which $6,280.54 represents track material leased to a noncarrier company, and $7 nominal value of lands donated.

The Louisiana Western owns securities of other companies held for noncarrier purposes. Their par value is $2,830,832.24 and their book value, stated by the Louisiana Western as its net investment in securities of other companies, is the same amount. These securities, with their par and book value, are listed in Appendix 2.

Aids, gifts, grants of rights of way, and donations.—Of the lands owned by the Louisiana Western and included in the preceding statement of carrier lands owned, 1,463.26 acres, with a present value of $289,473, were acquired through aids.

Certain of these lands are reported by the Louisiana Western as aids. Title to the other lands included above was acquired through deeds reciting merely nominal considerations or no considerations. We are not able to report the value of these lands at the time acquired.

We are not able to report any moneys or other considerations as received from sales of any portion of lands conveyed as donations by governmental bodies; or the amount or value of any concession or allowance in consideration of any such donations by governmental bodies.

The Louisiana Western reports cash donations of $2,285, and the records indicate that additional donations of cash or labor and materials credited in the amount of $7,283.24 have been received by it.

Further information as to aids will be found in Appendix 2.

Material and supplies.—The Louisiana Western has no material and supplies on hand on date of valuation.

Final value.—After careful consideration of all facts herein contained, including appreciation, depreciation, going-concern value, working capital, and all other matters which appear to have a bearing upon the values here reported, the values for rate-making purposes, of the property of the Louisiana Western, owned or used, devoted by it to common-carrier purposes, are found to be as follows:

	Final value
Wholly owned and used	$6,910,000
Used but not owned, leased from—	
Southern Pacific Company	925,000
Texas and New Orleans Railroad Company	90,000
Morgan's Louisiana and Texas Railroad and Steamship Company	230,000
Total	1,245,000
Total owned	6,910,000
Total used	8,155,000

There are included in the above statement the followinga mounts for working capital:

	Cash	Material and supplies	Total
Owned and used	$150,000		$150,000
Used but not owned, owned by—			
Texas and New Orleans Railroad Company		$90,000	90,000
Morgan's Louisiana and Texas Railroad and Steamship Company		230,000	230,000

No other values or elements of value to which specific sums can now be ascribed are found to exist.

APPENDIX 1

LOUISIANA WESTERN

Terminals owned and leased.—The principal freight and passenger terminals used by the Louisiana Western are shown in the following table:

Location	Basis of use		Remarks [1]
	Freight terminal	Passenger terminal	
Abbeville	Agreement	Agreement	Passenger and freight terminals owned by the Iberia and Vermilion Railroad Company.
Lafayette	do	do	Terminals owned by the Morgan's Louisiana and Texas Railroad and Steamship Company.
Lake Arthur	Owned	Owned	
Mamou	do	do	

[1] The terms under which the properties not owned are used are shown in Appendix 2, under leased railway property.

Traffic connections.—The Louisiana Western has direct connections with other carriers for the interchange of traffic, as follows:

Connecting points	Carrier
Abbeville	Iberia and Vermilion Railroad Company.
Brimstone	Brimstone Railroad & Canal Company.
Crowley	The Texas and Pacific Railway Company.
Do	New Orleans, Texas & Mexico Railway Company.
Eunice	Do.
Iowa Junction	Missouri Pacific Railroad Company.
Lake Charles	Do.
Do	Lake Charles and Northern Railroad Company.
Do	The Kansas City Southern Railway Company.
Lafayette	Morgan's Louisiana and Texas Railroad and Steamship Company.
Lockmore	The Kansas City Southern Railway Company.
Rayne	The Texas and Pacific Railway Company.
Sabine River	Texas and New Orleans Railroad Company.
Mamou	The Chicago, Rock Island and Pacific Railway Company.
West Lake	The Kansas City Southern Railway Company.

Physical conditions affecting construction.—This carrier traverses the low land adjacent to the Gulf of Mexico. The Calcasieu River and an arm of Lake Charles are the principal drainages crossed. At certain points the country is swampy. The soil is of sandy clay. The mean annual temperature is about 66°, ranging

from an average of 32° in winter to 100° in summer. The mean annual rainfall is 55 inches.

Economic conditions relating to traffic.—The country traversed is low land generally covered with pine and cypress timber, while the uplands are in cultivation, the principal crops being cotton and rice.

As already stated, the line between Lafayette and the Sabine River is a part of the transcontinental system of the Southern Pacific. Traffic over this portion is very heavy. A large number of sawmills operate in the timbered districts, which furnish considerable business for the Louisiana Western.

Oil is found in places along the line and the shipment of the same furnishes considerable revenue. The largest sulphur mine in the United States is located about 1 mile north of the city of Brimstone from which 75 to 150 carloads have been shipped daily for a number of years.

Physical characteristics of road.—Grading averages 16,591 cubic yards per mile. The ties are mostly of cypress and average 2,870 per mile. Only a small percentage have been treated. The main line is laid with 80 and 90-pound new rail. The branch lines are laid with 50 to 60-pound relay rail. The ballast is principally gravel and has been hauled long distances.

The maximum grade between Lafayette and the Sabine River is 0.37 per cent westbound, and 0.86 per cent eastbound; between Mallard Junction and Lake Arthur 0.50 per cent westbound and 0.46 per cent eastbound; between Abbeville and Mamou, 0.65 per cent westbound and 0.70 per cent eastbound.

The maximum curvature between Lafayette and the Sabine River is 3°; between Mallard Junction and Lake Arthur 7° 30′, and between Abbeville and Mamou, 9°.

Equipment.—The Louisiana Western owns and uses the following equipment:

Steam locomotives:		
Passenger locomotives	17	
Switching locomotives	9	
		26
Freight-train cars		1,384
Passenger-train cars		43
Work equipment		52

In addition, the Louisiana Western uses the following equipment owned by the Southern Pacific Company:

Steam locomotives:		
Passenger locomotives	3	
Freight locomotives	5	
Switching locomotives	4	
		12
Freight-train cars		670
Passenger-train cars		7

The terms of use of this leased equipment are shown in Appendix 2, under leased railway property.

Engineering and general expenditures.—Engineering has been estimated at 4 per cent on road accounts 3 to 47, inclusive. General expenditures, exclusive of interest, have been estimated at 1.5 per cent on road accounts 1 to 47, exclusive of account 2. Interest during construction has been estimated for one-half the construction period, plus three months, at the rate of 6 per cent on all road and general-expenditures accounts, except accounts 2 and 76. Interest on equipment has been estimated for three months at 6 per cent per annum.

The construction period for the road from the Texas-Louisiana State line to Lafayette and from Mallard Junction to Lake Arthur has been placed at 30 months; between Midland and Abbeville 12 months, and between Midland and Mamou 24 months.

SUMMARIES

Wholly owned and used, including company's portion of jointly owned minor facilities

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$203,622	$203,622
3	Grading	871,134	858,207
6	Bridges, trestles, and culverts	724,448	520,916
8	Ties	557,238	306,481
9	Rails	914,573	765,141
10	Other track material	272,975	181,655
11	Ballast	643,395	479,690
12	Tracklaying and surfacing	441,167	315,382
13	Right-of-way fences	90,683	52,050
15	Crossings and signs	37,515	26,064
16	Station and office buildings	242,489	173,528
17	Roadway buildings	89,062	60,392
18	Water stations	43,552	31,953
19	Fuel stations	9,338	7,585
20	Shops and engine houses	3,303	2,020
23	Wharves and docks	5,580	2,751
26	Telegraph and telephone lines	8,016	5,778
27	Signals and interlockers	125,738	101,678
37	Roadway machines	4,495	2,697
38	Roadway small tools	3,220	1,610
44	Shop machinery	2,578	1,129
	Total, 1, and 3 to 47, inclusive	5,294,141	4,103,329
	II. EQUIPMENT		
51	Steam locomotives	288,035	129,442
53	Freight-train cars	1,324,956	757,718
54	Passenger-train cars	338,400	188,222
57	Work equipment	39,344	22,057
	Total, 51 to 58, inclusive	1,990,735	1,097,439
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	79,412	61,935
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	469,917	359,636
	Total, 71 to 77, inclusive	549,329	421,571
	Grand total, 1, and 3 to 77, inclusive	7,834,205	5,622,339

Used but not owned, leased from the Southern Pacific Company

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	II. EQUIPMENT		
51	Steam locomotives	$213,366	$175,958
53	Freight-train cars	699,883	622,540
54	Passenger-train cars	77,620	68,143
	Total, 51 to 58, inclusive	990,869	866,641
	III. GENERAL EXPENDITURES		
76	Interest during construction	14,863	12,931
	Grand total, 1, and 3 to 77, inclusive	1,005,732	879,572

APPENDIX 2

Louisiana Western

INTRODUCTORY

The Louisiana Western is a corporation of the State of Louisiana, having its principal office at New Orleans, La. The Louisiana Western is controlled by the Southern Pacific Company, through ownership of a majority of the outstanding capital stock. On the other hand, the company does not control any other common-carrier corporation.

From the date the property was placed in operation, July 1, 1881, until February 28, 1885, the Louisiana Western was operated by its own organization. From March 1, 1885, until December 31, 1901, the property was exclusively operated by the Southern Pacific Company, under lease. From the latter date until December 31, 1917, it was operated by its own organization. On January 1, 1918, its common-carrier property was taken over and operated by the United States Railroad Administration and is so operated on date of valuation.

CORPORATE HISTORY

The Louisiana Western was incorporated March 30, 1878, for an unlimited period by special act of the legislature of Louisiana, approved March 30, 1878. The purpose of incorporation was to construct and operate a railroad extending from a point near Vermillionville, now Lafayette, to any point in the parish of Calcasieu on the Louisiana-Texas State line, all in the State of Louisiana, and such branches extending therefrom as may be deemed necessary. The date of organization was February 11, 1879.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The road owned by the Louisiana Western on date of valuation has been acquired as follows:

Termini		Date		Approximate miles
From—	To—	Construction commenced	Acquired for or retired from operation	
By purchase from, purchasing committee representing bondholders of the New Orleans, Mobile and Texas Railroad Company:				
Lafayette, La. The Sabine River. Partly graded right of way.				
By construction:				
Lafayette, La	Orange, Tex	March, 1878	July 1, 1881	112.580
Midland, La	Eunice, La	March, 1893	September, 1894	23.710
Do	Gueydan, La	March, 1895	October, 1895	11.100
Gueydan, La	Abbeville, La	June, 1901	May, 1902	23.830
Mallard Junction, La	Hayes, La	January, 1903	August, 1903	18.610
Hayes, La	Lake Arthur, La.	January, 1903	December, 1903	15.490
Eunice, La	Mamou, La	January, 1907	January, 1908	9.400
				214.720
Less sales, The Sabine River, Orange, Tex.			Feb. 10, 1900	6.700
Total road mileage owned as reported by the Louisiana Western.				208.020
Add difference between owned mileage as reported by the Louisiana Western and as inventoried by us.				.087
Total road mileage owned on date of valuation.				208.107

The right of way for the greater portion of the main line of the Louisiana Western's road between Lafayette and the Sabine River was purchased from a purchasing committee representing the bondholders of the New Orleans, Mobile and Texas Railroad Company, and was partly graded at the time of acquisition.

The construction of the main line was done under contract by the Pacific Construction Company. It can not be determined from the obtainable records, if the construction company was affiliated with the Louisiana Western. The construction work on the branches was performed principally by the forces of the Louisiana Western. Grading on some of these branches was done under contract.

The railroad extending from the Sabine River to Orange, Tex., was constructed for account of the Louisiana Western Extension Railroad Company, and was subsequently conveyed by that company to the Texas and New Orleans Railroad Company, by deed dated February 10, 1900.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records of the Louisiana Western do not disclose that syndicating arrangements have been made in connection with the issuance of its securities. It was financed through the issuance of its securities to C. P. Huntington, agent for the Pacific Construction Company, and to others, and the incurring of nonnegotiable debt to the Southern Pacific Company, principally for purposes of construction of its property.

Capital stock and long-term debt.—From the date of its incorporation, March 30, 1878, to date of valuation, the Louisiana Western has issued capital stock and funded debt, as indicated by its records, aggregating $5,600,000, all of which is actually outstanding, of which $3,360,000 represents common stock and $2,240,000 funded debt.

Capital stock.—The authorized capital stock of the Louisiana Western was not fixed by the act incorporating the company, but was divided into shares of $100 par value each and classed as common stock.

The Louisiana Western issued its capital stock in the par value of $3,360,000 to C. P. Huntington, agent for the Pacific Improvement Company, in part settlement for the construction of the railroad of the Louisiana Western and that of the Louisiana Western Extension Railroad Company, and to the directors as qualifying shares. The par value of the capital stock issued was concurrently charged to the investment in road and equipment account, but the Louisiana Western has stated that, on the basis of the apportionment of the bonds, $201,000 par value of capital stock is applicable to the cost of construction of the railroad of the Louisiana Western Extension Railroad Company.

Funded debt.—The funded debt issued and outstanding consists of $2,240,000 par value of first-mortgage bonds, dated July 1, 1881, maturing July 1, 1921, and bearing interest at 6 per cent per annum. The bonds were issued in part settlement for the construction of the railroad of the Louisiana Western and that of the Louisiana Western Extension Railroad Company. An amount equal to the par value of the bonds was charged to the investment in road and equipment account of the Louisiana Western, but the records reviewed indicate that $134,000 par value of these bonds were issued in part payment for the construction of the railroad of the Louisiana Western Extension Railroad Company.

Nonnegotiable debt to affiliated companies—Louisiana Western.—The Louisiana Western has incurred nonnegotiable debt to the Southern Pacific Company for cash advanced and for expenditures for construction of, and additions and betterments to, the property of the Louisiana Western aggregating $3,050,315.02, which were credited to an open account. The balance in this account on date of valuation represents a balance due the Louisiana Western and was classified as

investments in advances, as described in the chapter entitled Investments in Other Companies.

Nonnegotiable debt to affiliated companies—United States Railroad Administration.—In addition to the above, the records of the United States Railroad Administration record a balance on date of valuation in nonnegotiable debt to affiliated companies amounting to $179,974.26, representing a balance in an open account with the Southern Pacific Company, covering the settlement of current accounts between the Louisiana Western and that company.

Long-term notes.—The Louisiana Western has issued long-term notes of $262.48 par value, all of which have been retired. The notes were recorded as issued in the acquisition of land and were retired with cash equal to the face of the notes.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of the Louisiana Western and the United States Railroad Administration, are given separately below.

The accounts of the Louisiana Western include the results of operations of the railroad of the Louisiana Western Extension Railroad Company, which was operated as a part of the Louisiana Western's line from July 1, 1881, to February 10, 1900, when the property of the Louisiana Western Extension Railroad Company was conveyed to the Texas and New Orleans Railroad Company, but the results of such operations were not separately recorded in the records reviewed.

Income statement of the Louisiana Western.—A condensed summary of the income accounts for the year ending December 31, 1917, and for the period, July 1, 1881, to date of valuation, follows:

	Year	Period
Operating income:		
Railway operating revenues	$3,653,550.99	$37,951,628.45
Railway operating expenses	1,689,423.74	23,063,473.36
Net revenues from railway operations	1,964,127.25	14,888,155.09
Railway tax accruals	481,461.26	1,720,747.57
Uncollectible railway revenues	1,435.50	3,928.43
Total operating income	1,481,230.49	13,163,479.09
Nonoperating income:		
Hire of equipment	145,545.43	841,898.23
Joint-facility rent income	11,299.68	23,746.42
Income from lease of road to Southern Pacific Company		3,104,695.42
Income from lease of road to the United States Railroad Administration		451,958.88
Miscellaneous rent income	1,068.91	3,680.20
Miscellaneous nonoperating physical property	885.53	5,432.82
Income from unfunded securities and accounts	71,900.68	905,211.79
Miscellaneous income	182.65	1,643.07
Total nonoperating income	230,882.88	5,338,266.83
Gross income	1,712,113.37	18,501,745.62
Deductions from gross income:		
Hire of equipment	96,986.88	679,000.42
Joint-facility rents	20,373.82	99,734.99
Rent for leased roads		61,896.55
Interest on funded debt	134,400.00	2,710,400.00
Interest on unfunded debt	224.91	16,427.45
Miscellaneous income charges		13,097.66
Total deductions from gross income	251,985.61	3,580,557.07
Net income	1,460,127.76	14,921,188.85
Disposition of net income:		
Dividend appropriations of income		1,444,800.00
Income credit balance transferred to profit and loss	1,460,127.76	13,476,388.85

An examination shows that, under the present classification of accounts, certain items recorded in other accounts would be includible in the income statement of the Louisiana Western for the period. These amounts, grouped according to their effect on the income for the period, are as follows:

Additions to income:	
Transferable from delayed income credits in profit and loss account—	
Addible to railway operating revenues	$3, 349. 75
Deductible from railway operating expenses	2, 760. 26
Deductible from railway tax accruals	3, 064. 13
Addible to nonoperating income	1, 697. 83
Deductible from deductions from gross income, for rentals paid and balance for hire of equipment	12, 112. 08
Transferable from miscellaneous credits in profit and loss account, deductible from railway operating expenses representing adjustment of depreciation on equipment acquired prior to June 30, 1913, and written off books during year 1914	30, 230. 41
Transferable from credit to investment in road and equipment account, deductible from deductions from gross income, for interest on funded debt, portion, applicable to interest, of amount received in settlement of the obligation of the Louisiana Western Extension Railroad Company to repay the principal and interest on $134,000 par value of the Louisiana Western's bonds issued in part payment for construction of the railroad of the former company	40, 771. 76
Total	93, 986. 22
Deductions from income:	
Transferable from delayed income debits in profit and loss account—	
Deductible from railway operating revenues	25, 505. 54
Addible to railway operating expenses	28, 773. 42
Deductible from nonoperating income	62, 782. 54
Addible to deductions from gross income, other than rents paid and balance for hire of equipment	5, 379. 81
Transferable from miscellaneous debits in profit and loss account, addible to railway operating expenses, representing adjustment to set up depreciation accruing to June 30, 1913, on equipment acquired prior to that date	779, 888. 84
Total	902, 330. 25
Net deduction from income	808, 344. 03

If the income accounts of the Louisiana Western were adjusted to the extent indicated above, and if the items then contained therein were taken at their recorded amounts, the credit balance transferable to profit and loss would be decreased by $808,344.03, or to $12,668,044.82.

Profit and loss statement of the Louisiana Western.—A condensed statement of the profit and loss accounts for the period July 1, 1881, to date of valuation, follows:

Credits:		
Net credit balance transferred from income		$13, 476, 388. 85
Delayed income credits		22, 984. 05
Unrefundable overcharges		7, 103. 94
Donations		7, 460. 24
Miscellaneous credits—		
Adjustment of cancellation of balance-sheet accounts	$7, 409. 59	
Profit derived from sale of land and town lots	2, 535. 89	
Carrier's proportion of bonus received by the Southern Pacific Company from Wells, Fargo & Company under contract of Oct. 9, 1893, covering transportation of express matter	54, 023. 90	
Balance due Pacific Improvement Company written off	19, 590. 31	
Adjustment of depreciation on equipment acquired prior to June 30, 1913, and written off books during year 1914	30, 230. 41	
Other miscellaneous credits	2, 100. 00	
		115, 890. 10
Total		13, 629, 827. 18
Debits:		
Dividend appropriation of surplus		6, 552, 000. 00
Surplus appropriated for investment in physical property		7, 198. 88
Loss on retired road and equipment		89, 057. 16
Delayed income debits		122, 441. 31
Miscellaneous debits—		
Adjustments of cancellations of balance sheet accounts	$10, 836. 54	
Preliminary surveys abandoned	4, 047. 21	
Adjustment of depreciation accruing to June 30, 1913, on equipment acquired to that date	779,888. 94	
		794, 772. 69
Total		7, 565, 470. 04
Credit balance on date of valuation		6, 064, 357. 14

An examination shows that, under the present classification of accounts, certain items recorded in the investment in road and equipment account of the Louisiana Western are includible in the profit and loss account. These items, grouped according to their effect on the credit balance in the profit and loss account, are as follows:

Decrease, transferable from charge to investment in road and equipment account, par value of capital stock of the Louisiana Western stated by it to be applicable on the basis of the apportionment of its bonds, to the railroad of the Louisiana Western Extention Company	$201, 000

Increase, transferable from credits to investment in road and equipment account—		
Amount collected for privilege granted to sell lots	$700	
Amount awarded and paid to the Louisiana Western in suit brought by the Kansas City Southern and Gulf Railroad Company for right to cross Louisiana Western's tracks	855	
		$1, 555
Net decrease in credit balance		199, 445

If the profit and loss account of the Louisiana Western were adjusted so far as indicated above; if the remaining items therein were taken at their recorded amounts, and if the $40,771.76 credited to the investment in road and equipment account, hereinbefore referred to as transferable to an income account, were so transferred, the credit balance in that account would be decreased by $158,673.24, or to $5,905,683.90.

Income statement of the United States Railroad Administration.—A statement of the income account during the United States Railroad Administration's first six months' period of operation, January 1, 1918, to date of valuation, follows:

Operating income:	
Railway operating revenues	$2, 014, 678. 60
Railway operating expenses	1, 059, 530. 92
Net revenues from railway operations	955, 147. 68
Railway tax accruals	80, 464. 24
Uncollectible railway revenues	583. 72
Total operating income	874, 099. 72
Nonoperating income:	
Hire of equipment	47, 898. 45
Joint-facility rents	3, 720. 08
Income from unfunded securities and accounts	624. 57
Total nonoperating income	52, 243. 10
Gross income	926, 342. 82
Deductions from gross income:	
Hire of equipment	60, 138. 34
Joint-facility rents	7, 983. 91
Interest on unfunded debt	811. 02
Total deductions from gross income	68, 933. 27
Net income	857, 409. 55
Disposition of net income, income credit balance transferred to profit and loss	857, 409. 55

The foregoing statement includes no compensation payable to the Louisiana Western for the use of its common-carrier property during the period January 1, 1918, to date of valuation.

Profit and loss statement of the United States Railroad Administration.—The balance in the profit and loss account for the United States Railroad Administration, on date of valuation, was comprised solely of the credit balance transferred from income, in the amount of $857,409.55.

Dividends.—The Louisiana Western has declared dividends aggregating $7,996,800 during the period from July 1, 1881, to date of valuation, of which $1,440,000 was charged to income and $6,552,000 was charged to profit and loss. No information has been obtained from the Louisiana Western's records which would indicate that the dividends declared were payable other than in cash. The dividends declared were at the rates per annum as noted below.

Years	Per cent	Years	Per cent
1905	13	1910-11	15
1906-7	10	1912-1915	10
1908	85	1916-17	15
1909	20		

INVESTMENT IN ROAD AND EQUIPMENT

The investment in road and equipment, including land, on date of valuation, is stated in the books of the Louisiana Western to be $9,900,983.61, of which the following is a general analysis:

Construction of original road:		
Recorded money outlay	$665, 063. 56	
Nonnegotiable debt to affiliated companies, being credit given the Southern Pacific Company in open account	436, 998. 31	
Outlay in securities issued to C. P. Huntington, agent for the Pacific Improvement Company and to others for construction of the property—		
Capital stock issued, par value	3, 159, 000. 00	
Funded debt issued, par value	2, 106, 000. 00	
		$6, 367, 061. 87
Additions and betterments to road and equipment, not separable:		
Recorded money outlay by the Louisiana Western	1, 517, 198. 68	
Nonnegotiable debt to affiliated companies, being credit given the Southern Pacific Company in open account	2, 613, 316. 71	
Long-term notes issued at par, subsequently retired at par with cash	262. 48	
		4, 130, 777. 87
Additions and betterments made by the United States Railroad Administration, recorded money outlay		21, 372. 84
Total of above items		10, 519, 212. 58
Retirements and sales:		
By the Louisiana Western—		
Property retired, credited at—		
Road	$99, 028. 95	
Equipment	633, 865. 81	
		$732, 894. 76

Retirements and sales—Continued.			
By the Louisiana Western—Continued.			
Property sold for proceeds of—			
Road	$7,525.00		
Equipment	25,023.95		
		$32,548.95	
By the United States Railroad Administration, property retired, credited at—			
Road	1,613.18		
Equipment	9,845.32		
		11,458.50	
			$776,902.21
Net of the above items			9,742,310.37
Other items, net charges, not in accordance with the present classification of accounts:			
Charge, transferable to miscellaneous debits in profit and loss account, par value of capital stock of the Louisiana Western stated by it to be applicable, on the basis of the apportionment of its bonds, to the railroad of the Louisiana Western Extension Railroad Company which was constructed for it by the Louisiana Western and subsequently deeded to the Texas and New Orleans Railroad Company without recorded reimbursement to the Louisiana Western for the portion of its capital stock applicable to the property sold		201,000.00	
Credits—			
Transferable to deductions from gross income, interest on funded debt, portion applicable to interest, of $174,771.76 received from the Texas and New Orleans Railroad Company when the latter company acquired the property of the Louisiana Western Extension Railroad Company and assumed that company's liability for payment to the Louisiana Western of the principal and interest on $134,000 par value of the Louisiana Western's bonds which were issued in part payment for construction of the railroad sold		40,771.76	

Other items, net charges, not in accordance with the present classification of accounts—Contd.			
Credits—Continued.			
Transferable to miscellaneous credits in profit and loss account—			
Amount collected for the privilege granted to sell lots	$700.00		
Amount awarded and paid to the Louisiana Western in suit brought by the Kansas City Southern and Gulf Railroad Company for right of way across the tracks of the Louisiana Western	855.00		
Total	42,326.76		
			$158,673.24
Total recorded as of date of valuation			9,900,983.61

In addition to the foregoing, the Louisiana Western acquired through the receiver of the New Orleans, Mobile and Texas Railroad Company in December, 1880, certain right of way with a partially graded roadbed thereon for $30,000 which has not been included in the investment in road and equipment account.

If the above items were included in the investment in road and equipment account, if the other items set out in the above general analysis were eliminated, and if all the items then remaining were taken at their recorded values, the balance in the investment in road and equipment account would be reduced by $128,673.24, or to $9,772,310.37.

This adjusted amount would be the result, on the one hand, of gross outlays that consist, in part, of considerations other than cash recorded at $8,315,577.50, and, on the other hand, of items deductible from the gross outlays and recorded at $776,902.21, but not specifically deductible at the recorded amounts. The cash value at the time of the transactions of the considerations other than cash and of the items deductible from the gross outlays is not known and can not be definitely determined.

The balance in the investment in road and equipment account, if adjusted to the above extent, so far as it is resolvable into the kinds of considerations, would comprise the following classes of recorded outlay:

Recorded money outlay	$2,233,635.08
Nonnegotiable debt to affiliated companies, recorded value	3,050,315.02
Capital stock issued at par value	3,159,000.00
Funded debt issued at par value	2,106,000.00
Long-term notes, later retired at par with cash, par value	262.48
From which should be deducted such portions, not definitely determinable, as represent—	
Road and equipment sold, credited at	744,353.26
Road and equipment sold for proceeds of	32,548.95

The above may include the undetermined cost of certain improvements located on carrier lands that are inventoried as devoted to noncarrier purposes on date of valuation.

The above outlays may include some or all of the undetermined cost of certain lands classified herein as noncarrier lands and some or all of the undetermined

portions, assignable to noncarrier lands, of the cost of lands classified herein as partly carrier and partly noncarrier. The Louisiana Western has charged to its miscellaneous physical property account lands only in the amount of $7. The costs of the above lands, which are not supported in the accounts, are stated in the chapter on original cost to date.

ORIGINAL COST TO DATE

The original cost to date of the road and equipment, including land, owned by the Louisiana Western and used for common-carrier purposes, has not been definitely ascertained. The records of the construction company which built the original road of the Louisiana Western of the New Orleans, Mobile and Texas Railroad Company which partially constructed part of the road, have not been obtained.

The obtainable data on the outlay of the Louisiana Western for creating and improving the property are those found in its investment in road and equipment account, as revised, summarized as follows:

Recorded money outlay	$2,182,262.24
Credit given the United States Railroad Administration for recorded money outlay by it	21,372.84
Outlay in securities at par value	5,265,000.00
Outlay in long-term notes, later retired at par with cash, par value	262.48
Nonnegotiable debt to affiliated companies, being credit given the Southern Pacific Company in open account	3,050,315.02
From which should be deducted such portions, not definitely determinable, as represent—	
Property sold for proceeds of	32,548.95
Road and equipment retired, credited at	732,894.76
Property retired by the United States Railroad Administration, credited at	11,458.50

The above may include the undetermined cost of certain improvements located on carrier lands that are inventoried as devoted to noncarrier purposes on date of valuation.

The above outlays may include some or all of the undetermined cost of certain lands classified herein as noncarrier lands and some or all of the undetermined portions, assignable to noncarrier lands, of the cost of lands classified herein as partly carrier and partly noncarrier. The Louisiana Western has charged to the miscellaneous physical property accounts only the amount of $7 as representing these noncarrier lands. The costs of the above lands, so far as they are indicated by accounting records, but which are not supported in the accounts, are stated in the section of this chapter that is devoted to cost of lands.

Cost of lands.—The Louisiana Western reports amounts aggregating $68,339.82 as the outlays by itself in connection with lands and rights owned or used by it, including noncarrier lands, and that the proceeds from the sale of parts of parcels of such lands aggregate $3,499.74. A verification of the amounts indicates that the reported outlays should be reduced by $1,518.16, as detailed below.

Deductions:	Amount
Recorded costs estimated	$476.05
Costs of two parcels of land overstated	1,042.11
Total deductions	1,518.16

The returns include certain lands which were donated, certain lands for which nominal deed considerations only are reported, certain land classified as carrier, owned jointly and used jointly, without reported costs, certain streets and highways vacated to the Louisiana Western by municipalities without reported considerations; certain lands held by adverse possession, certain lands acquired in exchange of other lands; certain lands for which the considerations recited in deeds are other than those of a monetary value, certain lands for which no considerations were recited in deeds, and certain rights in public domain and private lands for which no costs were reported.

The amounts reported by the Louisiana Western as costs for the remaining lands owned, after making the changes noted above, are made up in part of costs supported by accounting records and in part of substantial considerations named in deeds, which the Louisiana Western returned as costs, but which are not supported by accounting records. These amounts and the proceeds from parts of parcels sold, both classified according to the classification herein of the lands to which they apply, are summarized as follows:

Classification	Costs supported by accounting records	Amounts not supported by accounting records
Lands classified as carrier:		
Owned and used (includes $9,330.19 unsupported costs not separable as to lands classified as carrier, noncarrier, and partly carrier and partly noncarrier)	$15,665.20	$39,269.20
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of		3,424.74
Lands classified as noncarrier, owned (see notes under carrier and partly carrier and partly noncarrier)		3,125.00
Lands classified as partly carrier and partly noncarrier:		
Owned and used (includes $4,557.89 not separable as to lands classified as partly carrier and partly noncarrier and lands classified as noncarrier)		8,762.26
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of		75.00

Cost of machinery and equipment.—The Louisiana Western reports that it owns and uses 1,508 units of equipment, 87 roadway machines, and certain machinery, with costs aggregating $2,073,541. A verification of the returns indicates that the number of units of equipment should be reduced by 3 and that the costs should be reduced by $722, as detailed below:

Description	Units	Amount
Additions:		
Steam locomotives, understatement of costs		$1,775
Freight-train cars, understatement of costs		1,000
Passenger-train cars, understatement of costs		4,123
Total		6,898
Deductions:		
Steam locomotives—		
Not inventoried account scrap condition	1	3,753
Overstatement of costs		1,701
Freight-train cars—		
Not inventoried	2	1,947
Overstatement of costs		219
Total	3	7,620
Net total deductions	3	722

After making the changes noted above and classifying the returns according to the classification herein of the property to which they apply, the revised returns are summarized as follows:

Classification	Units	Costs supported by accounting records	Amounts estimated by Louisiana Western or otherwise not supported by accounting records
Machinery:			
Roadway machines	87	$2,912	$1,595
Shop machinery			1,905
Total		2,912	3,500
Equipment:			
Steam locomotives	26	258,558	29,512
Freight-train cars	1,384	1,347,951	39,051
Passenger-train cars	43	326,288	28,369
Work equipment	52	32,068	4,610
Total	1,505	1,964,865	101,542

In addition, the Louisiana Western uses under lease, the following equipment owned by the Southern Pacific Company:

Classification	Units	Costs supported by accounting records	Amounts estimated by the Southern Pacific Company or otherwise not supported by accounting records
Equipment:			
Steam locomotives	12	$217,707	$3,556
Freight-train cars	670	611,584	238,321
Passenger-train cars	7	77,808	478

MISCELLANEOUS PHYSICAL PROPERTY

The investment of the Louisiana Western in miscellaneous physical property, on date of valuation, is stated in its books as $6,287.54, consisting of the following:

Track material leased to noncarrier company	$6,280.54
Lands donated by various individuals, recorded in the accounts at a nominal value by crediting profit and loss account and charging this account	7.00
Total	6,287.54

In addition, there have been classified herein as noncarrier certain parcels of land and parts of parcels of land reported by the Louisiana Western. A summary of the costs, reported by the Louisiana Western as applying thereto, with revisions as previously explained, is stated in the chapter on original cost to date. The portion of such costs that would be includible in the miscellaneous physical property account has not been indicated by the records reviewed. It is not known to what extent the charges in the amount of $7 for lands donated, apply to these lands.

INVESTMENTS IN OTHER COMPANIES

The investments of the Louisiana Western in other companies, on date of valuation, are stated in its records at a total book value of $2,830,832.24, summarized as follows:

Advances, affiliated carrier corporations	$1,879,013.99
Other investments:	
Bonds	949,800.00
Miscellaneous	2,018.25
Total	951,818.25

The balance stated above as investments in affiliated companies in the amount of $1,879,013.99 represents the net balances of open accounts with the Southern Pacific Company covering advances for payment of interest on funded debt and for construction purposes, and settlement of current accounts. Included in the items comprising this balance is an amount of $3,050,315.32 advanced by the Southern Pacific Company to the Louisiana Western for construction purposes, and $3,104,695.32 accruing to the Louisiana Western for rental of its property during the period it was leased to the Southern Pacific Company. No further details regarding the items comprising these balances have been obtained from the Louisiana Western's records.

On date of valuation the Louisiana Western records an investment in United States Government Second Liberty loan bonds in the par value of $949,800, which it acquired with an equal amount of cash.

The Louisiana Western contributed $2,018.25 to the hospital association of the Southern Pacific Lines, which amount it classified as a miscellaneous investment.

The balance sheet of the United States Railroad Administration records an investment in advances, on date of valuation, in the amount of $70.20, regarding which no details have been obtained from the accounting records.

AIDS, GIFTS, GRANTS, AND DONATIONS

The Louisiana Western reports the following aids, gifts, grants, and donations as having been received by it:

Description	Expense of acquisition	Amount of donation
Lands, various parcels donated to the Louisiana Western by the United States Government, State of Louisiana, various individuals and companies.	Not reported [1]	Not reported.[1]
Cash, donated by citizens of Lake Charles	do.[1]	$2,285.

[1] Neither the cost to the donors of donated lands nor their value at the time of acquisition was reported by the Louisiana Western.

In addition, the Louisiana Western reports a parcel of land acquired by an ordinance from the town of Rayne, which has been excluded on account of the area being in a public thoroughfare.

The Louisiana Western does not report, and the accounts do not record, any moneys or other considerations as received from sales of any portion of lands conveyed to it as grants by governmental bodies.

The Louisiana Western does not report, and the accounts do not record, the amount or value of any concession or allowance that may have been made in consideration for any grants by governmental bodies.

An examination of the records indicates that in addition to the aids, gifts, grants, and donations reported by it, the Louisiana Western received cash or labor and material credited in the amount of $7,283.24 from various firms and individuals in connection with the construction of industrial tracks, public crossings, cattle guards, and dipping vats.

The records reviewed also indicate credits aggregating $177, of which $170 represents the estimated value of donated lands and $7 represents the nominal value of donated lands which was charged to the miscellaneous physical property account. The records do not indicate what part, if any, of these amounts is applicable to lands reported as donations.

The report of the Louisiana Western upon the costs of its lands shows that certain parcels were acquired by it through deeds reciting merely nominal considerations and certain lands acquired through deeds in which no considerations were stated. Since the records do not indicate that any actual payment was made in the acquisition of these parcels, they are herein designated as apparent aids.

MATERIAL AND SUPPLIES

The accounts of the Louisiana Western do not record a balance in the material and supplies account on date of valuation. The material and supplies used by the Louisiana Western were furnished by the Morgan's Louisiana and Texas Railroad and Steamship Company and settled through current accounts and charged directly to the appropriate account.

LEASED RAILWAY PROPERTY

The Louisiana Western used, on December 31, 1917, facilities owned by other companies and other companies use facilities owned by the Louisiana Western to the extent indicated below. The description of the property, the period and terms of use, and the rentals accrued and charged or credited to income for the year ended on December 31, 1917, are as follows:

Solely owned, but jointly used, used with—	Rentals
Lake Charles & Northern Railroad Company, tracks, 1.02 miles, at Lake Charles, La., also terminal facilities, including 4.20 miles of yard tracks and sidings; $684 per annum as rental; $4,116 per annum for maintenance and operation. No formal agreement	$684.00
Morgan's Louisiana and Texas Railroad and Steamship Company—	
Tracks, 3.87 miles, and terminal facilities at Lafayette, La., including 7.34 miles of yard tracks and sidings. Annual rental of one-half of 5 per cent per annum on valuation of $240,806 and on additions and betterments. Maintenance and operation on wheelage basis. Agreement dated Aug. 1, 1915; terminable at any time at the option of either party	6,522.90
The joint-facility rent income account as reported by the Louisiana Western for the year ended Dec. 31, 1917, includes the user company's proportion of taxes on the above property applicable to the period Aug. 1, 1915, to Dec. 31, 1916	3,872.78

Solely owned, but jointly used, used with—Continued.	Rentals
Kansas City, Shreveport and Gulf Railway Company—	
Spur track, 0.67 mile and branch spurs serving Peking and Miller's sawmill at West Lake, La. Annual rental of $120; one-half cost of maintenance. Agreement dated Dec. 1, 1905, terminable on 60 days' notice from either party	$120.00
Spur track, 0.71 mile, serving Lock Moore & Company's sawmill near Lock Moore, La. Annual rental of $100; one-half of maintenance and renewal expenses. Agreement dated Dec. 11, 1905, terminable on 60 days' notice from either party	100.00
Jointly used, but not owned, owned by—	
Morgan's Louisiana and Texas Railroad and Steamship Company—	
Tracks, 2.72 miles, at Lafayette, La., also terminal facilities, including 10.02 miles of yard and sidetracks. Annual rental of one-half of 5 per cent per annum on valuation of $360,180 and on additions and betterments. Maintenance and operation on wheelage basis. Agreement dated Aug. 1, 1915, terminable at any time at the option of either party	9,541.72
The joint-facility rent account as reported by the Louisiana Western for the year ended Dec. 31, 1917, includes the Louisiana Western's proportion of taxes on the above property applicable to the period Aug. 1, 1915, to Dec. 31, 1916	3,845.82
Shop facilities at New Orleans and Algiers, La. Annual rental of 28.4 per cent of 5 per cent on valuation of $491,994. No formal agreement	6,986.28
Iberia and Vermilion Railroad Company, freight and passenger station at Abbeville, La. No formal agreement. The Louisiana Western pays 50 per cent of expense of operation and maintenance.	

The Louisiana Western owns track material valued at $6,280.54, which it leases to the Newell Lumber Company at Eunice, La., at an annual rental of $885.53.

The Louisiana Western uses 689 units of equipment owned by the Southern Pacific Company, consisting of the following:

Locomotives	12
Freight-train cars	670
Passenger-train cars	7

No contracts have been found in the Louisiana Western's records, covering the lease of the locomotives and passenger-train cars and only one contract, covering the lease of 125 flat cars, was obtained. Under the terms of this lease the Louisiana Western is to maintain the equipment and pay the Southern Pacific Company an annual rental equal to 6 per cent of the cost of the equipment, plus depreciation at the rate of 3 per cent per annum. This lease may be terminated upon 30 days' notice given by either party.

GENERAL BALANCE SHEET STATEMENTS

The general balance sheet statement of the Louisiana Western, as of date of valuation, follows:

ASSETS

Investments:		
Investment in road and equipment		$9, 900, 983. 61
Miscellaneous physical property		6, 287. 54
Investments in affiliated companies, advances		1, 879, 013. 99
Other investments—		
Bonds	$949, 800. 00	
Miscellaneous	2, 018. 25	
		951, 818. 25
Total		12, 738, 103. 39
Current assets:		
Cash		1, 538. 27
Miscellaneous accounts receivable		2, 952. 97
Interest and dividends receivable		4, 537. 86
Rents receivable from United States Railroad Administration		451, 958. 88
Other current assets		262. 50
Total		461, 250. 48
Deferred assets:		
Working-fund advances		5. 25
Other deferred assets		1, 752. 51
Other deferred assets, United States Railroad Administration		105, 310. 62
Total		107, 068. 38
Unadjusted debits, rents, and insurance premiums paid in advance		68, 606. 13
Grand total		13, 375, 028. 38

LIABILITIES

Stock, capital stock	3, 360, 000. 00
Long-term debt, funded debt unmatured	2, 240, 000. 00
Current liabilities:	
Audited accounts and wages payable	869. 60
Miscellaneous accounts payable	522. 05
Interest matured unpaid	150. 00
Unmatured interest accrued	67, 200. 00
Other current liabilities	678. 00
Total	69, 419. 65

Deferred liabilities, other deferred liabilities, United States Railroad Administration	$656, 793. 27
Unadjusted credits:	
Tax liability	36, 186. 10
Insurance and casualty reserves	35, 891. 74
Accrued depreciation, equipment	900, 608. 87
Other unadjusted credits	406. 44
Other unadjusted credits, United States Railroad Administration	4, 166. 29
Total	977, 259. 44
Corporate surplus:	
Additions to property through income and surplus	7, 198. 88
Profit and loss credit balance	6, 064, 357. 14
Total	6, 071, 556. 02
Grand total	13, 375, 028. 38

The general balance sheet statement of the United States Railroad Administration, as of date of valuation, covering operation of the property of the Louisiana Western, follows:

ASSETS

Investments, other investments, advances	$70. 20
Current assets:	
Cash	674, 150. 41
Net balance receivable from agents and conductors	40, 586. 43
Miscellaneous accounts receivable	128, 731. 85
Other current assets	*Cr. 49. 44*
Total	843, 419. 25
Deferred assets:	
Working-fund advances	165. 11
Other deferred assets	2, 430. 83
Other deferred assets, Louisiana Western Railroad Company	656, 793. 27
Total	659, 389. 21
Unadjusted debits:	
Rents and insurance premiums paid in advance	17. 33
Other unadjusted debits	12, 528. 46
Other unadjusted debits, Louisiana Western Railroad Company	4, 166. 29
Total	16, 712. 08
Grand total	1, 519, 590. 74

LIABILITIES

Long-term debt, nonnegotiable debt to affiliated companies, open accounts	$179, 974. 26
Current liabilities:	
Audited accounts and wages payable	140, 453. 39
Miscellaneous accounts payable	105, 859. 73
Other current liabilities	76. 50
Total	246, 389. 62
Deferred liabilities, other deferred liabilities, Louisiana and Western Railroad Company	105, 310. 62
Unadjusted credits:	
Tax liability	80, 222. 12
Insurance and casualty reserves	1, 242. 98
Operating reserves	*Dr. 23, 493. 77*
Accrued depreciation, equipment	30, 460. 14
Other unadjusted credits	42, 075. 22
Total	130, 506. 69
Corporate surplus, profit and loss credit balance	857, 409. 55
Grand total	1, 519, 590. 74

SECTION 8

Valuation Docket No. 804

Houston & Texas Central Railroad Company

Location and general description of property.—The railroad of the Houston & Texas Central Railroad Company, herein called the Houston & Texas Central, is a standard-gage, steam railroad, located entirely within Texas. It is single track except for 2.895 miles of double track on the line from Eureka Junction to Stella. The principal main line extends from Houston in a general northerly direction, via Dallas, to Denison. Between Nelleva Junction and Mexia Junction there are two main lines, one via Hearne and Bremond, and the other via Robbins and Jewett. The principal branches extend from Hemstead, via Austin, to Llano; Garrett to Fort Worth; Bremond, via Waco, to Ross; and Hearne to Giddings.

The Houston & Texas Central wholly owns and uses 855.404 miles of first main track, 2.895 miles of second main track, and 279.668 miles of yard tracks and sidings. Its road thus embraces 1,137.967 miles of all tracks owned, all of which it uses. It jointly and equally owns and uses with other carriers 0.543 mile of yard tracks and sidings, details regarding which are given in the summaries by accounts in Appendix 1. In addition, it jointly owns and uses with other carriers 0.722 mile of yard tracks herein treated as minor facilities, the reproduction costs for which are included with the wholly owned property.

Capital stock and long-term debt.—The Houston & Texas Central had outstanding, on date of valuation, a total par value of $22,125,000 in capital stock and long-term debt, of which $10,000,000 represented common stock and $12,125,000 funded debt.

In addition the United States Railroad Administration has incurred nonnegotiable debt in its operation of the property of the Houston & Texas Central, of which $543,756.86 is owing on date of valuation.

Results of corporate operations.—For the period from September 30, 1891, to date of valuation, the aggregate railway operating expenses have been 71.9 per cent of the railway operating revenues.

During the period of 10 years preceding date of valuation, cash dividends have been declared in 1911 and 1913, averaging for the entire period 2.3 per cent per annum on the capital stock.

Original cost to date.—The original cost to date of all common-carrier property of the Houston & Texas Central can not be ascertained, as the necessary records are not obtainable. Such information respecting actual expenditures as can be ascertained is stated in Appendix 2.

Investment in road and equipment.—The investment in road and equipment, including land, on date of valuation, is stated in the books of the Houston & Texas Central as $41,099,630.68. If readjustments were made, this amount would be reduced to $40,986,485.68, detailed in Appendix 2, of which $32,112,303.15, less an undetermined portion thereof assignable to offsetting items included in amounts recorded at $2,064,488.44, represents considerations other than money, the cash value of which at the time of the transaction we are not able to report, because it has been impossible to obtain the necessary information.

Cost of reproduction new and cost of reproduction less depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land and material and supplies, owned or used by the Houston & Texas Central, including owned portions of joint minor facilities are shown below.

Classification	Cost of reproduction new	Cost of reproduction less depreciation
Wholly owned and used	$30, 389, 164	$23, 649, 439
Jointly owned and used with other carriers, the Houston & Texas Central's portion [1]	3, 887	2, 841
Total owned and used	30, 393, 051	23, 652, 280
Used but not owned; leased from—		
Southern Pacific Company	3, 001, 735	2, 451, 936
Central Pacific Railway Company	9, 724	8, 071
Total	3, 011, 459	2, 460, 007
Total owned	30, 393, 051	23, 652, 280
Total used	33, 404, 510	26, 112. 287

[1] For details see summaries by accounts in Appendix 1.

These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are shown in summary sheets in Appendix 1.

Cost of lands, rights of way, and terminals at time of dedication to public use, and their present value.—The Houston & Texas Central owns and uses for common-carrier purposes 15,069.12 acres of lands. It owns but does not use 2.10 acres, which are leased to other carriers for common-carrier purposes. The total original cost of lands owned and used by the Houston & Texas Central for common-carrier purposes can not be ascertained, as the necessary records are not obtainable. Data on their original cost will be found in Appendix 2. The area and present values of the carrier lands owned or used are found to be as follows:

Classification	Acres	Present value
Owned and used	15,069.12	$8,016,748
Owned but not used; leased to—		
The Houston East and West Texas Railway Company	0.06	2,000
The Direct Navigation Company	.86	30,000
St. Louis Southwestern Railway Company of Texas	.14	1,200
St. Louis, San Francisco and Texas Railway Company	.34	136
The Union Terminal Company (Dallas, Tex.)	.46	90,000
The Missouri, Kansas & Texas Railway Company of Texas	.24	170
Total	2.10	123,506
Used but not owned; leased from—		
St. Louis Southwestern Railway Company of Texas	.18	435
Private parties	5.57	24,055
Total	5.75	24,490
Total owned	15,071.22	8,140,254
Total used	15,074.87	8,041,238

Rights in public domain.—The Houston & Texas Central owns rights in public domain used for common-carrier purposes, the original cost of which, as supported by accounting records, is $10,761. Their present value is the same amount.

Rights in private lands.—The Houston & Texas Central owns rights in private lands used for common-carrier purposes, which were acquired at no cost. The present value of these rights is $25.

Property held for purposes other than those of a common carrier.—The Houston & Texas Central owns and holds for noncarrier purposes 17,088.69 acres of lands. The total original cost of the lands classified as noncarrier can not be ascertained, as the necessary records are not obtainable. Data on their original cost will be found in Appendix 2.

The present value of the 17,088.69 acres of noncarrier lands and improvements thereon, owned by the Houston & Texas Central, is $928,527. The present value of noncarrier structures on carrier lands is $12,882.

The investment of the Houston & Texas Central in miscellaneous physical property is recorded at $22,049.10, as shown in detail in Appendix 2. The portion of this amount which represents noncarrier property and which has not been already included in the above statement of noncarrier property can not be ascertained.

The Houston & Texas Central owns securities of other companies, held for noncarrier purposes. Their par value is $1,101,208.91, and their book value, stated by the Houston & Texas Central as its net investment in securities of other companies, is $1,100,708.91. These securities, with their par and book values on date of valuation, are listed in Appendix 2.

Cash advances made by the United States Railroad Administration, in connection with its operation of the property of the Houston & Texas Central, less partial retirement thereof, aggregate $386,900.99 as detailed in Appendix 2.

Aids, gifts, grants of rights of way, and donations.—Of the lands owned by the Houston & Texas Central and included in the preceding summaries of lands owned, the following were acquired through aids:

Classification	Acres	Present value
Carrier lands, owned and used:		
Land grant lands	243.60	$10,803
Other lands	2,842.82	1,029,045
Total	3,086.42	1,039,848
Noncarrier lands, owned:		
Land grant lands	16,927.41	57,273
Other lands	9.49	21,583
Total	16,936.90	78,856

The land-grant lands were donated by the State of Texas. Certain of the other lands were reported by the Houston & Texas Central as aids. Title to the remaining other lands included above was acquired through deeds reciting merely nominal considerations or no considerations. We are not able to report the value of these lands at the time acquired. The Houston & Texas Central reports the value of the noncarrier land-grant lands at the time of acquisition as $1,692.

The Houston & Texas Central reports gross receipts of $15,784,611.22, expenditures of $3,142,318.82, and net receipts of $12,642,292.40 in connection with sales of land-grant lands received by it or its predecessors, as detailed in Appendix 2.

We are not able to state the amount or value of any concession or allowance that may have been made in consideration for any grants by governmental bodies.

The Houston & Texas Central reports expenses of $13.20 in connection with the acquisition of other than land-grant lands.

The company reports the following other donations as having been received by it or its predecessors:

Description	Amount
Cash donated by various individuals	$28,596.85
Bonds and warrants donated by various individuals and municipalities	178,259.69
Notes donated by various individuals and municipalities	17,550.00

A review of the records indicates that in addition to the foregoing, the Houston & Texas Central and certain of its predecessors received various donations recorded in the books at a total value of $70,763.06, a detailed statement of which will be found in Appendix 2.

Material and supplies.—The Houston & Texas Central has no material and supplies on hand on date of valuation.

The investment in material and supplies, on date of valuation, as shown in the books of the United States Railroad Administration, covering the operation of the property of the Houston & Texas Central, amounts to $1,098,548.99.

Final value.—After careful consideration of all facts herein contained, including appreciation, depreciation, going-concern value, working capital and all other matters which appear to have a bearing upon the values here reported, the values, for rate-making purposes, of the property of the Houston & Texas Central, owned or used, devoted to common-carrier purposes, are found to be as follows:

	Final value
Wholly owned and used	$33,530,000
Owned but not used, leased to—	
The Houston East and West Texas Railway Company	2,000
The Direct Navigation Company	30,000
St. Louis Southwestern Railway Company of Texas	1,200
St. Louis, San Francisco and Texas Railway Company	136
The Union Terminal Company (Dallas, Tex.)	90,000
The Missouri, Kansas & Texas Railway Company of Texas	170
Total	123,506
Used but not owned, leased from—	
Southern Pacific Company	2,510,000
Central Pacific Railway Company	8,500
St. Louis Southwestern Railway Company of Texas	435
Texas and New Orleans Railroad Company	250,000
Morgan's Louisiana and Texas Railroad and Steamship Company	75,000
Private parties	24,055
Total	2,867,990
Total owned	33,653,506
Total used	36,397,990

There are included in the above statement the following amounts for working capital.

	Cash	Material and supplies	Total
Owned and used	$410,000	$1,020,000	$1,430,000
Used but not owned, owned by—			
Texas and New Orleans Railroad Company		250,000	250,000
Morgan's Louisiana and Texas Railroad and Steamship Company		75,000	75,000

No other values or elements of value to which specific sums can now be ascribed are found to exist.

APPENDIX 1

Houston & Texas Central

Terminals owned and leased.—The principal freight and passenger terminals used by the Houston & Texas Central are shown in the following tabulation:

Location	Basis of use		Remarks [1]
	Freight terminal	Passenger terminal	
Denison	Ownership	Rental	The Missouri, Kansas & Texas Railway Company of Texas owns passenger terminal.
Fort Worth	do	do	Fort Worth Union Passenger Station Company owns passenger terminal.
Lancaster	do	Ownership	
Waco	do	Rental	St. Louis Southwestern Railway Company of Texas owns passenger terminal.
Lampasas	do	Ownership	
Llano	do	do	
Marble Falls	do	do	
Houston	Rental	do	Texas and New Orleans Railroad Company owns freight terminals.
West Junction	Ownership		

[1] The terms under which the properties not owned are used are shown in Appendix 2, under leased railway property.

Traffic connections.—The Houston & Texas Central has connections with the lines of other carriers for interchange of traffic, as follows:

Connecting point	Carriers
Austin	International & Great Northern Railway Company.
	The Missouri, Kansas & Texas Railway Company of Texas
Brenham	Gulf, Colorado and Santa Fe Railway Company.
Bryan	International & Great Northern Railway Company
	Bryan & Central Texas Interurban.
College Station	International & Great Northern Railway Company.
Corsicana	St. Louis Southwestern Railway Company, of Texas.
	The Trinity and Brazos Valley Railway Company.
Calvert	International & Great Northern Railway Company.
Caldwell	Gulf, Colorado and Santa Fe Railway Company.
Dallas	All railroads.
Denison	Do.
Elgin	The Missouri, Kansas & Texas Railway Company of Texas.
Ennis	Texas Midland Railroad.
Eureka	The Missouri, Kansas & Texas Railway Company of Texas.
Flynn	The Trinity and Brazos Valley Railway Company.
Fort Worth	All railroads.
Giddings	San Antonio and Aransas Pass Railway Company.
Hearne	International & Great Northern Railway Company.

Connecting point	Carriers
Houston	All railroads.
Iola	The Trinity and Brazos Valley Railway Company.
Jewett	International & Great Northern Railway Company.
Lampasas	Gulf, Colorado and Santa Fe Railway Company.
Lancaster	The Missouri, Kansas & Texas Railway Company of Texas.
McNeil	International & Great Northern Railway Company.
McKinney	The Missouri, Kansas & Texas Railway Company of Texas.
Marlin	International & Great Northern Railway Company.
Melissa	Texas Traction Interurban Company.
Mexia	The Trinity and Brazos Valley Railway Company.
Midlothian	Gulf, Colorado and Santa Fe Railway Company.
Mumford	International & Great Northern Railway Company.
Navasota	Gulf, Colorado and Santa Fe Railway Company.
	International & Great Northern Railway Company.
Plano	St. Louis Southwestern Railway Company of Texas.
Sherman	All railroads.
Stone City	Bryan & Central Texas Interurban.
Waxahatchie	The Missouri, Kansas & Texas Railway Company of Texas.
	The Trinity and Brazos Valley Railway Company.
Waco	International & Great Northern Railway Company.
	The Missouri, Kansas & Texas Railway Company of Texas.
	St. Louis Southwestern Railway Company of Texas.
	San Antonio and Aransas Pass Railway Company.
	The Texas Central Railroad Company.
Wilmer	Southern Traction Company.

Physical conditions affecting construction.—The country traversed varies from level coastal plains near Houston to rough and mountainous sections near Llano. From Hempstead north the country is rolling. The entire line lies in the drainage basins of the Brazos and Colorado Rivers.

The geology of the country is rather uniform, the excavation consisting of loams and clay, with a marl known locally as "black waxy," between Ennis and Denison. Sandstone, shale, and granite are encountered in small quantities.

The mean annual temperature varies from 63° F. at Denison to 68° F. at Houston, ranging from an average of 43° at Denison and 52° at Houston in January, to 82° in July. The mean annual rainfall varies from 27 inches at Llano to 47 inches at Houston.

Economic conditions relating to traffic.—The country traversed is largely fertile farming land, producing cotton, grain, and livestock. Industrial development is rather limited, packing at Fort Worth being the principal industry.

Physical characteristics of road.—Between Houston and Denison the maximum grades are 1.86 per cent westbound and 1.47 per cent eastbound. The maximum grades on the other parts of the line vary from 0.35 to 2.47 per cent.

The maximum curvature between Houston and Denison is 6°. The maximum curvatures on the other parts of the line vary from 3° 20′ to 9° 30′, except between Hutchins and Lancaster, where a maximum curvature of 14° 48′ is found.

The grading is generally light. The main streams are crossed with modern steel structures, many of which rest on brick piers.

Ties are generally of pine or cypress. There are also some gum, oak, and bois d'arc ties. Nearly all the pine ties are zinc treated.

Rails in the main lines vary from 56 to 90 pounds per yard. Branch lines are usually constructed of relay rail varying from 56 to 75 pounds per yard. Side and yard tracks are laid with new and relay rail weighing from 45 to 75 pounds to the yard.

Most of the ballast is gravel. Disintegrated granite and cinder ballast is also used.

Equipment.—The Houston & Texas Central uses the following equipment:

Classification	Units
Owned and used:	
Steam locomotives	82
Freight-train cars	815
Passenger-train cars	92
Work equipment	126
Used but not owned, leased from—	
Southern Pacific Company—	
Steam locomotives	21
Freight-train cars	2,037
Passenger-train cars	21
Central Pacific Railway Company, passenger-train cars	1

Engineering and general expenditures.—Engineering has been estimated at 4 per cent upon road accounts 3 to 47, except for property at the Houston terminal and the line from Eureka Junction to Stella, for which 4.5 per cent has been allowed, and the property jointly owned with the Texas Midland Railroad, for which 3 per cent has been allowed. General expenditures, exclusive of interest, have been estimated at 1.5 per cent on road accounts 1 to 47, exclusive of account 2. Interest during construction has been estimated for one-half the construction period, plus 3 months, at 6 per cent per annum on all road and general-expenditures accounts, except accounts 2 and 76. Interest on equipment has been estimated for 3 months at 6 per cent per annum.

Construction periods have been placed as follows:

	Months
Houston to Ennis and Garrett to Fort Worth	28
Garrett to Denison and Nelleva Junction, via Jewett, to Mexia Junction	24
Hempstead to Llano, and branches	22
Hearne to Giddings	20
Bremond to Rose	12

SUMMARIES

Wholly owned and used, including the Houston & Texas Central's owned portions of joint minor facilities

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$984,623	$984,623
3	Grading	4,902,952	4,883,029
6	Bridges, trestles, and culverts	3,652,090	2,867,893
8	Ties	2,596,769	1,428,224
9	Rails	4,251,176	3,633,923
10	Other track material	1,318,868	946,539
11	Ballast	1,930,712	1,573,610
12	Tracklaying and surfacing	2,080,279	1,560,809
13	Right-of-way fences	465,435	260,513
15	Crossings and signs	228,353	168,330
16	Station and office buildings	1,096,504	785,600
17	Roadway buildings	391,643	235,992
18	Water stations	354,964	275,237
19	Fuel stations	143,751	120,895
20	Shops and engine houses	561,741	381,028
26	Telegraph and telephone lines	13,981	9,045
27	Signals and interlockers	161,682	139,461
32	Power-distribution systems	3,808	1,455
33	Power-line poles and fixtures	219	123
36	Paving	24,057	19,174
37	Roadway machines	23,650	15,927
38	Roadway small tools	15,151	7,575
44	Shop machinery	221,652	116,420
	Total, 1, and 3 to 47, inclusive	25,424,060	20,415,425

Wholly owned and used, including the Houston & Texas Central's owned portions of joint minor facilities—Continued.

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	II. EQUIPMENT		
51	Steam locomotives	$1,062,950	$513,223
53	Freight-train cars	824,070	490,955
54	Passenger-train cars	571,799	274,077
57	Work equipment	132,284	67,441
	Total, 51 to 58, inclusive	2,591,103	1,345,696
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	381,361	305,089
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	1,992,640	1,583,229
	Total, 71 to 77, inclusive	2,374,001	1,888,318
	Grand total, 1, and 3 to 77, inclusive	30,389,164	23,649,439

Jointly owned and used, with the International & Great Northern Railway Company, 50 per cent each; 0.233 mile of yard tracks and sidings at Navasota; the Houston & Texas Central's portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$67	$67
3	Grading	213	213
6	Bridges, trestles, and culverts	623	498
8	Ties	276	138
9	Rails	252	198
10	Other track material	121	67
11	Ballast	28	14
12	Track-laying and surfacing	159	98
	Total, 1, and 3 to 47, inclusive	1,739	1,393
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	26	20
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	53	39
	Total, 71 to 77, inclusive	79	59
	Grand total, 1, and 3 to 77, inclusive	1,818	1,352

Jointly owned and used, with the Texas Midland Railroad, 50 per cent each; 0.212 mile of yard tracks and sidings at North Ennis; the Houston & Texas Central's portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$30	$30
3	Grading	95	95
6	Bridges, trestles, and culverts	70	52
8	Ties	192	96
9	Rails	425	361
10	Other track material	54	43
12	Tracklaying and surfacing	106	76
15	Crossings and signs	64	53
	Total, 1, and 3 to 47, inclusive	1,036	806
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	16	12
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general	48	37
76	Interest during construction		
	Total, 71 to 77, inclusive	64	49
	Grand total, 1, and 3 to 77, inclusive	1,100	855

Jointly owned and used, with The Texas and Pacific Railway Company, 50 per cent each; 0.098 mile of yard tracks and sidings at Fort Worth; the Houston & Texas Central's portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$36	$36
8	Ties	106	53
9	Rails	216	190
10	Other track material	480	271
12	Tracklaying and surfacing	98	63
	Total, 1, and 3 to 47, inclusive	936	613
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	14	9
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general	19	12
76	Interest during construction		
	Total, 71 to 77, inclusive	33	21
	Grand total, 1, and 3 to 77, inclusive	969	634

Used but not owned, leased from the Southern Pacific Company

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	II. EQUIPMENT		
51	Steam locomotives	$431,438	$389,475
53	Freight-train cars	2,269,189	1,800,079
54	Passenger-train cars	256,747	226,006
	Total, 51 to 58, inclusive	2,957,374	2,415,560
	III. GENERAL EXPENDITURES		
76	Interest during construction	44,361	36,376
	Grand total, 1, and 3 to 77, inclusive	3,001,735	2,451,936

Used but not owned, leased from the Central Pacific Railway Company

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	II. EQUIPMENT		
54	Passenger-train cars	$9,580	$7,951
	III. GENERAL EXPENDITURES		
76	Interest during construction	144	120
	Grand total, 1, and 3 to 77, inclusive	9,724	8,071

APPENDIX 2

Houston & Texas Central

INTRODUCTORY

The Houston & Texas Central is a corporation of the State of Texas, having its principal office at Houston, Tex. It is controlled by the Southern Pacific Company, through ownership of a majority of its capital stock.

From the dates of completion of the various portions of the road, as hereinafter shown, the property of the Houston & Texas Central was operated by its own organization until December 31, 1917. On January 1, 1918, the common-carrier property of the company was taken over for operation by the United States Railroad Administration, which still operates it on date of valuation.

CORPORATE HISTORY

The Houston & Texas Central was incorporated for a period of 50 years, August 1, 1889, under the general laws of Texas, as a reorganized company, to take over, after foreclosure sale, the properties of the Houston and Texas Central Railway Company (2), of whose properties the parts known as the Main Line and Western Division had been acquired by Frederic P. Olcott, president of the Central Trust Company of New York, who was acting as purchasing trustee in the interest of the Southern Pacific Company.

The original charter authorized the company to acquire and operate, including the power to construct and extend, the railroads then owned by Olcott. Its authority has been extended from time to time by various special acts of the State legislature and charter amendments, to enable the company to acquire the properties of other companies and to construct additional lines of road.

The following chart shows the names of the corporations, the respective dates of incorporation, and for each predecessor the date of succession, the immediately succeeding corporation, and the manner of succession. Reference to each of these corporations is made in the last column by its respective number shown in the first column.

No.	Name	Incorporation	Succession
1	Houston & Texas Central Railroad Company.	Under general laws of Texas, Aug. 1, 1889.	
2	Houston and Texas Central Railway Company (2).	Under an act of Texas, Dec. 19, 1857. Organized Apr. 3, 1862.	The Main Line and the Western Division sold under foreclosure, Sept. 8, 1888, and transferred to 1, Apr. 1, 1890. Waco and Northwestern Division sold under foreclosure Jan. 18, 1889, to Wilbur F. Boyle; sold by him to 1, June 30, 1898.
3	Houston and Texas Central Railway Company (1).	See 4	Sold at sheriff's sale, Apr. 2, 1861, to David H. Page and Wm. J. Hutchins, who reorganized as 2 under original charter.
4	Galveston and Red River Railway Company.	Under special act of Texas, Mar. 11, 1848.	Name changed to 3, Sept. 1, 1856.
5	Washington County Rail Road Company.	Under special act of Texas, Feb. 2, 1856.	Sold under foreclosure June 2, 1868, to Wm. M. Sledge, and conveyed by him to 2, Mar. 11, 1869.
6	Air Line Railroad Company	Under special act of Texas, Jan. 30, 1860.	Consolidated with 5 under act of Jan. 30, 1860. Date of consolidation not known.
7	The Waco and Northwestern Railroad Company.	See 8	Sold to 2, Feb. 4, 1873. Title conveyed by deed Mar. 31, 1873.
8	Waco Tap Railroad Company	Under special act of Texas, Nov. 5, 1866.	Name changed to 7, Aug. 6, 1870.
9	The Central Texas and Northwestern Railway Company.	See 10	Sold to 1, Aug. 22, 1901.
10	Waxahachie Tap Railroad Company.	Under special act of Texas, Jan. 25, 1875.	Name changed to 9, Sept. 28, 1881.
11	Fort Worth and New Orleans Railway Company.	Under general laws of Texas, June 13, 1885.	Sold to 1, Aug. 22, 1901.
12	The Austin and Northwestern Railroad Company.	See 13	Reorganized Apr. 20, 1888, under charter rights of 13.
13	The Austin and North Western Rail Road Company.	Under general laws of Texas, Apr. 29, 1881.	Reorganized as 12, Nov. 7, 1887.
14	Granite Mountain and Marble Falls Rail Road Company.	Under general laws of Texas, Oct. 30, 1888.	Sold to 1, Aug. 22, 1901.
15	The Houston Railway Company.	Under general laws of Texas, Sept. 26, 1892.	Sold to 1, July 31, 1902.
16	Lancaster Tap Railroad	Not incorporated	Sold to 1, Sept. 30, 1905.
17	Hearne and Brazos Valley Railway Company.	Under general laws of Texas, May 18, 1891.	Sold to 1, June 1914. Deed conveying title executed Aug. 18, 1914.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The owned mileage of the Houston & Texas Central, amounting to 855.404 miles, was acquired by purchase and construction, as detailed in the statement below.

Of the 16 corporations that comprise the line of succession, culminating in the Houston & Texas Central as at present constituted, for 4 corporations no record

has been found that they completed the construction of any road or other common-carrier property. These companies were:

Air Line Railroad Company.
Galveston and Red River Railway Company.
Waco Tap Railroad Company.
The Houston Railway Company.

The property constructed by the remaining corporations, and the Houston & Texas Central itself, the years when the various portions of the line were constructed, and the manner in which the Houston & Texas Central acquired the property are indicated in the following table, wherein, to facilitate comparison with the table showing the corporate succession, previously given, the same order of corporations is maintained:

	Recorded mileage	
Acquired by construction:		
Burnet to Lampasas, 1902	23. 01	
Nelleva Junction to Mexia Junction, 1905–1906	94. 06	
Giddings to Stone City, 1911–1913	39. 27	
Eureka to Stella, 1913–1914	9. 51	
		165. 85
Acquired by purchase:		
From Houston and Texas Central Railway Company (2)—		
Through F. P. Olcott, grantor—		
Constructed by that company—		
Millican to Denison, 1867–1873	257. 47	
Brenham to Austin, 1869–1871	93. 69	
Constructed by the Houston and Texas Central Railway Company (1), Houston to Millican	80. 51	
Constructed by the Washington County Rail Road Company, Hempstead to Brenham, 1856–1860	21. 31	
		452. 98
Through W. F. Boyle, grantor, constructed by the Houston and Texas Central Railway Company (2), for The Waco and Northwestern Railroad Company, Bremond to Ross, 1871–1872		55. 30
From The Central Texas and Northwestern Railway Company, constructed by the Waxahachie Tap Railroad Company, Garrett to Waxahachie, 1875–1879		12. 57
From the Fort Worth and New Orleans Railway Company, records do not indicate by whom constructed, Waxahachie to Fort Worth, 1885–1886		41. 97
From The Austin and Northwestern Railroad Company—		
Constructed by that company—		
Burnet to Marble Falls, 1888–1889	16. 50	
Fairland to Llano, 1891–1892	29. 40	
Constructed for The Austin and North Western Rail Road Company, apparently constructed for that company by a construction company shown in the records as "D. I. I. Co.," the full name of which company has not been ascertained	60. 18	
		106. 08
From The Houston Railway Company, records do not show how or when the road was constructed, Houston to Houston Heights		3. 13

	Recorded mileage	
Acquired by purchase—Continued.		
From the Lancaster Tap Railroad, constructed by a receiver of the Houston and Texas Central Railway Company (2), Hutchins to Lancaster, 1889 or 1890		4. 75
From the Hearne and Brazos Valley Railway Company, constructed by that company, 1891–1892; destroyed by flood in 1899; rebuilt in 1900–1901, Hearne to Stone City		18. 61
Total		861. 24
Less mileage acquired from The Houston Railway Company, which is classified on date of valuation as yard-track mileage	3. 13	
Less mileage abandoned at Waxahachie, 1903	1. 71	
		4. 84
Total recorded miles		856. 40
Difference between total recorded mileage and mileage inventoried as of date of valuation, deduction		. 996
Mileage inventoried as of date of valuation		855. 404

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The Houston & Texas Central was formed for the purpose of taking over properties of the Houston and Texas Central Railway Company (2), which had been sold under foreclosure to Frederic P. Olcott, as purchasing trustee.

A reorganization plan was provided by which the Houston & Texas Central was to issue to the reorganization committee stocks and bonds to be disbursed in exchange for stocks and bonds and other indebtedness of the Houston and Texas Central Railway Company (2). In order to assure the financial success of the plan, it was underwritten by the Southern Pacific Company, which agreed to furnish funds which were to be repaid out of moneys to be raised by the methods provided in the reorganization agreement. The Southern Pacific Company also agreed to pay to the committee an amount equal to all subscriptions not paid in by nonassenting security holders. Upon the payment of this sum the Southern Pacific Company was to be entitled to all the rights, privileges, and benefits that would have appertained to the nonassenting security holders had they elected to become parties to the agreement.

The Southern Pacific Company also guaranteed the payment of interest on the Houston & Texas Central's mortgage bonds and the payment of principal and interest on the Houston & Texas Central's debenture bonds issued under the reorganization plan.

The Central Trust Company of New York City was appointed trustee for the purpose of syndicating and carrying the plan into effect. Its records were not examined, and certain records of the Houston & Texas Central are said to have been destroyed during January, 1912, in the Equitable Building fire at New York City. It is therefore impossible to definitely state whether or not the details of the plan as promulgated in the reorganization agreement were carried into effect in all instances. From such records as were available it was determined, however, that the reorganization was substantially in accordance with the plan.

The stockholders of the Houston and Texas Central Railway (2) were to be assessed $71.40 in cash for each share of stock they held, the proceeds to be applied in settlement of floating debt. The amount of cash realized from this source was

not determined. Stock of the Houston & Texas Central was to be distributed pro rata by the trustee to those stock holders of the Houston and Texas Central Railway Company (2) who paid the assessment.

Although the security holders of the Waco and Northwestern Division had the option of becoming a party to the reorganization agreement, they did not participate therein.

The bonds of the Houston & Texas Central were exchanged on the following bases:

Indebtedness of the Houston and Texas Central Railway Company (2) extinguished	Bonds of the Houston & Texas Central exchanged	
	Amount	Description
First-mortgage bonds at par:		
Main Line	$5,838,000	First mortgage.
Western Division	2,226,000	Do.
Total	8,064,000	
Consolidated mortgage bonds at par	3,919,000	Consolidated mortgage.
General mortgage bonds at par	3,360,000	General mortgage.
Indebtedness to Morgan's Louisiana and Texas Railroad and Steamship Company and the Southern Development Company at par	880,000	Do.
National City Bank of New York on basis of $100 of bonds for $80.75 indebtedness	65,000	Do.
Total	4,305,000	
Defaulted interest on consolidated mortgage bonds from Oct. 1, 1884, to Sept. 30, 1887, at 8 per cent on basis of three-fourths of indebtedness	705,420	6 per cent debentures.
Defaulted interest on general mortgage bonds from Oct. 1, 1884, to Sept. 30, 1887, at 6 per cent on basis of two-thirds of indebtedness	411,000	4 per cent debentures.

The Houston & Texas Central has issued its securities, assumed securities issued by others, and incurred other indebtedness and has reacquired certain of its securities and other indebtedness, under conditions and for considerations described in detail in the sections of this chapter devoted to capital stock, funded debt, and other obligations.

Increase in stocks, bonds, or other securities in any reorganization.—The Houston and Texas Central Railway Company (2) had the aggregate sum of $24,686,017 in stocks and bonds, of which $1,609,517 were unaffected by the reorganization settlement.

The new capitalization thus comprised:

Capital stock	$10,000,000
First mortgage 5 per cent gold bonds	8,064,000
Consolidated mortgage 6 per cent gold bonds	3,919,000
General mortgage 4 per cent gold bonds	4,305,000
Consolidated mortgage 6 per cent debenture bonds	705,420
General mortgage 4 per cent debenture bonds	411,000
Total	27,404,420

The reorganization had the effect of substituting the foregoing securities for $23,076,500 outstanding securities of the Houston and Texas Central Railway Company (2), an increase of $4,327,920.

Capital stock and long-term debt.—From the date of its incorporation, August 1, 1889, to date of valuation, the Houston & Texas Central has issued or assumed capital stock and long-term debt, as indicated by its records, aggregating

$35,486,920 par value, of which $22,125,000 is actually outstanding. Of the funded debt actually outstanding, $2,000 is matured but had not been presented for payment. The details are summarized in the following table:

Class	Issued or assumed	Retired	Actually outstanding
Stock, capital stock, par value, common	$10,000,000		$10,000,000
Long-term debt:			
Funded debt, par value—			
Unmatured—			
Issued	22,365,420	$12,871,420	9,494,000
Assumed	2,822,000	193,000	2,629,000
Total	25,187,420	13,064,420	12,123,000
Matured, but unpaid, issued	2,000		2,000
Nonnegotiable debt to affiliated companies	297,500	297,500	
Grand total	35,486,920	13,361,920	22,125,000

Capital stock.—The entire capital stock was issued to the reorganization committee in part payment for the properties of the Houston and Texas Central Railway Company (2), and was charged by the Houston & Texas Central at its par value, $10,000,000, to investment in road and equipment. The consideration received by the reorganization committee for this stock could not be accurately determined.

On date of valuation, 99,983 shares were owned by the Southern Pacific Company, and are held as collateral under trust by the United States Trust Company of New York City as part security for the Central Pacific's 4 per cent 35-year European loan of 1911 under the agreement of March 1, 1911, relating thereto.

Funded debt.—The Houston & Texas Central has issued, assumed and reacquired funded debt in exchange for the following recorded considerations:

Par value	Consideration	Recorded value
Issued		
$18,509,420	Part payment for property acquired	$18,509,420.00
3,258,000	Cash	3,258,000.00
502,000	Advances to the Southern Pacific Company	502,000.00
98,000	Other securities retired	98,000.00
Assumed		
$2,822,000	Part payment for property acquired	2,822,000.00
25,189,420	Total issued or assumed for considerations	25,189,420.00
Reacquired and retired		
$2,021,420	Cash	2,021,510.00
10,708,000	Cash from sale of donated lands	11,698,665.39
237,000	Nonnegotiable debt to affiliated companies	237,000.00
98,000	Securities at par	98,000.00
13,064,420	Total	14,055,175.39
Outstanding		
$12,125,000		

The difference of $990,755.39 between the recorded value of the considerations paid and the par value of bonds retired represents an excess of $1,005,898.51 for bonds retired at above par and a reduction of $15,143.12 for bonds retired at less than par. The sums were charged and credited to profit and loss.

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A statement of the funded debt actually outstanding on date of valuation follows:

Title of security	Actually outstanding
Unmatured:	
Issued—	
First-mortgage 5 per cent 50-year gold bonds, due July 1, 1937	$1,395,000
General mortgage 4 per cent gold bonds, due Apr. 1, 1921; interest guaranteed by the Southern Pacific Company	4,161,000
Waco and Northwestern Division first-mortgage 6 per cent 30-year gold bonds, due May 1, 1930	1,105,000
Lampasas extension first-mortgage 5 per cent 30-year gold bonds, due July 1, 1933	450,000
Cut-off first-mortgage 6 per cent 30-year gold bonds, due June 1, 1940	2,383,000
Total	9,494,000
Assumed—	
From the Fort Worth and New Orleans Railway Company, first-mortgage 6 per cent 40-year bonds, due Dec. 1, 1925	709,000
From The Austin and Northwestern Railroad Company, first-mortgage 5 per cent 50-year gold bonds, due July 1, 1941	1,920,000
Total	2,629,000
Total unmatured	12,123,000
Matured but unpaid, issued, consolidated mortgage 6 per cent gold bonds matured Oct. 1, 1912; called for redemption but not presented for payment	2,000
Grand total	12,125,000

Nonnegotiable debt to affiliated companies, Houston & Texas Central.—From February, 1912, to March, 1915, the Houston & Texas Central obtained cash loans from allied interests, aggregating $297,000, all of which had been repaid in cash prior to December 31, 1915.

Nonnegotiable debt to affiliated companies, United States Railroad Administration.—The United States Railroad Administration, in connection with its operation of the property of the Houston & Texas Central to date of valuation, was indebted in open account with the Southern Pacific Company in the net sum of $543,756.86, as detailed below:

Credits:		
Cash advanced		$300,000.00
Interest on bonds		295,660.00
Settlement of current liabilities		705,398.23
Total		1,301,058.23
Debits:		
Cash	$757,115.13	
Improvements to equipment leased	186.24	
		757,301.37
Balance owing the Southern Pacific Company on date of valuation		543,756.86

RESULTS OF CORPORATE OPERATIONS

For some time prior to being taken over by the organization of the Houston & Texas Central, the property was operated by the receivers of the Houston and Texas Central Railway Company (2). The Main Line and Western Division was thus operated up to and including April 11, 1893. The Waco and Northwestern Division was not released until June 30, 1898. The books of the Houston & Texas Central were opened, however, as of September 30, 1891.

The results of corporate operations, as shown in the income and profit and loss accounts of the Houston & Texas Central and the United States Railroad Administration, are given separately below.

Income statement.—A condensed summary of the income accounts for the year ended December 31, 1917, and for the period from September 30, 1891, to December 31, 1917, follows:

	Year	Period
Operating income:		
Railway operating revenues	$8,223,425.44	$132,258,221.55
Railway operating expenses	4,925,625.89	95,094,379.67
Net revenue from railway operations	3,297,799.55	37,163,841.88
Railway tax accruals	604,533.27	4,467,941.61
Uncollectible railway revenues	8,324.14	14,649.67
Total	612,857.41	4,482,591.28
Railway operating income	2,684,942.14	32,681,250.60
Nonoperating income:		
Hire of equipment	205,491.22	858,741.40
Joint-facility rent income	277,515.34	1,256,558.32
Miscellaneous rent income	37,353.93	107,396.35
Miscellaneous nonoperating physical property	12.59	726.28
Dividend income	2,270.00	39,790.66
Income from funded securities	11,736.67	37,805.09
Income from unfunded securities and accounts	7,052.11	434,884.45
Income from sinking and other reserve funds	40,900.67	166,405.39
Miscellaneous income		25,916.70
Total	582,332.53	2,928,224.64
Gross income	3,267,274.67	35,609,475.24
Deductions from gross income:		
Hire of equipment	356,093.82	3,443,170.13
Joint-facility rents	121,491.19	356,978.13
Rent for leased roads		277,800.32
Miscellaneous rents	582.81	8,132.00
Interest on funded debt	620,220.75	20,232,653.38
Interest on unfunded debt	239.20	48,933.03
Maintenance of investment organization		34,882.27
Additions and betterments charged to income		731,929.74
Miscellaneous income charges		3,291.77
Total	1,098,627.77	25,137,770.77
Net income	2,168,646.90	10,471,704.47
Disposition of net income, income applied to sinking and other reserve funds	40,900.67	166,405.39
Income credit balance transferred to profit and loss	2,127,746.23	10,305,299.08

The charges for additions and betterments were reversed through profit and loss account during subsequent years.

A statement of the income account during the United States Railroad Administration's first six months' period of operation, January 1, 1918, to date of valuation, follows:

	Houston & Texas Central	United States Railroad Administration
Operating income:		
Railway operating revenues		$4,135,966.82
Railway operating expenses		3,072,092.55
Net revenue from railway operations		1,063,874.27
Railway tax accruals	$24,000.00	215,789.46
Uncollectible railway revenues		1,759.46
Total	24,000.00	217,548.92
Railway operating income		846,325.35
Railway operating deficit	24,000.00	
Nonoperating income:		
Hire of equipment		86,144.40
Joint-facility rent income		135,304.72
Income from lease of road	866,486.52	
Miscellaneous rent income	21,042.14	
Miscellaneous nonoperating physical property	469.30	
Dividend income	2,270.00	
Income from funded securities	30,327.99	
Income from unfunded securities and accounts	1,704.63	1,570.44
Income from sinking and other funds	14,350.18	
Total	936,650.85	223,019.56
Gross income	912,650.85	1,069,344.91
Deductions from gross income:		
Hire of equipment		215,075.24
Joint-facility rents		62,993.91
Miscellaneous rents	305.00	
Interest on funded debt	303,105.00	
Interest on unfunded debt	76.02	
Maintenance of investment organization	40.00	
Total	303,526.02	278,069.15
Net income	609,124.83	791,275.76
Disposition of net income:		
Income applied to sinking and other reserve funds	14,350.18	
Income credit balance transferred to profit and loss	594,774.65	

The profit and loss account includes certain delayed income credits and debits and certain other income items that would be includible in the income statement for the period. These items, grouped according to their effect on the income for the period, are as follows:

Additions to income:		
Deductible from railway operating expenses—		
Delayed income credits	$49,556.90	
Inventory adjustment of material and supplies	228,192.96	
		$277,749.86
Addible to nonoperating income—		
Adjustment of rental for equipment	67,621.12	
Adjustment of interest on funded debt	3,130.01	
Adjustment of income from unfunded securities and accounts	3,617.15	
		74,368.28
Total		352,118.14

Deductions from income:		
Addible to railway operating expenses—		
Delayed income debits	$74,014.79	
Law expenses	11,629.57	
		$85,644.36
Addible to deductions from gross income, rent for lease of road		2,668.73
Total deductions		88,313.09
Net additions to income		263,805.05

If the income accounts of the Houston & Texas Central were adjusted to the extent indicated above, and if all the items then included in the income statement were taken at their recorded amounts, the credit balance to date of valuation transferred to profit and loss would be increased by $263,805.05, or to $11,163,878.78.

Profit and loss statement.—A condensed summary of the profit and loss accounts of the Houston & Texas Central, for the period from September 30, 1891, to date of valuation, follows:

Credits:		
Net credit balance transferred from income		$10,900,073.73
Profit on road and equipment sold		39,213.47
Delayed income credits		49,556.90
Unrefundable overcharges		19,686.67
Donations		36,152.09
Miscellaneous credits—		
Cash remitted by the receiver of the Houston and Texas Central Railway Company (2), for the period from Jan. 1, 1891, to Apr. 12, 1893		1,592,426.08
Additions and betterments previously charged to income transferred to investment in road and equipment account		731,929.74
Expenditures for additions and betterments by the receivers of the Houston and Texas Central Railway Company (2) who from Jan. 1, 1891, to Apr. 11, 1893, continued the operation of the property as agents of the Houston & Texas Central charging such amounts to income and subsequently transferred by the Houston & Texas Central to investment in road and equipment account		357,945.64
Debenture bonds assumed in acquisition of the property of the Houston and Texas Central Railway Company (2) not previously taken to account due to having been retired by the operating agent prior to the opening of the books of the Houston & Texas Central		47,000.00
Proceeds from sale of lands and rents from land leased		233,041.80
Material and supplies inventory, adjustment		228,192.96
Bonus from Wells, Fargo & Company Express—		
Capital stock at $110	$118,140.00	
Cash	67,720.89	
		185,860.89
Rental of equipment, adjustment		67,621.12

Credits—Continued.		
Miscellaneous Credits—Continued.		
Cash in payment of capital stock subscribed under reorganization plan		$25, 150. 00
Discount on bonds retired—		
General mortgage bonds	$13, 968. 12	
Five per cent debenture bonds	1, 175. 00	
		15, 143. 12
Income from unfunded securities and accounts		3, 617. 15
Interest on funded debt, adjustment		3, 130. 01
Other miscellaneous credits		59, 061. 21
Total		14, 594, 802. 58
Debits:		
Surplus applied to sinking and other reserve funds		51, 522. 50
Dividend appropriations of surplus		2, 900, 000. 00
Surplus appropriated for investment in physical property		23, 219. 16
Loss on retired road and equipment		387, 040. 48
Delayed income debits		74, 014. 79
Miscellaneous debits—		
Depreciation on equipment to June 30, 1913		1, 160, 339. 51
Premium on bonds retired		1, 005, 898. 51
Uncollectible notes		6, 878. 84
Law expenses		11, 629. 57
Loss on sale of Antlers Hotel property at Kingsland		5, 977. 60
Rental for lease of road		2, 668. 73
Other miscellaneous debits		80, 431. 59
Total		5, 709, 621. 28
Credit balance on date of valuation		8, 885, 181. 30

The investment in road and equipment account contains a charge of $113,145 representing three months' interest on funded debt from October 1, 1890, to December 31, 1890, which under the present classification of accounts would be includible in the profit and loss account.

If this item were included in the profit and loss account, and if the other items therein were taken at their recorded amounts, the credit balance in that account would be reduced by $113,145, or to a credit balance of $8,772,036.30.

As of date of valuation, there is no profit and loss account shown on the books of the United States Railroad Administration.

Dividends.—Cash dividends aggregating $2,900,000 were declared by the Houston & Texas Central during the period from 1903 to 1913, all of which were charged to the profit and loss account. The dividends declared have been at the rates per annum noted below.

For year ended June 30—	Per cent
1903	6
1911	20
1913	3

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Houston & Texas Central in road and equipment, including land, on date of valuation, is stated in its books as $41,099,630.68, of which the following is a general analysis:

For property purchased:			
From the Houston and Texas Central Railway Company (2) (Main Line and Western Division)—			
Outlay in securities at par—			
Capital stock issued	$10, 000, 000		
Funded debt issued	17, 404, 420		
Funded debt assumed	60, 000		
		$27, 464, 420. 00	
Receivers' liabilities assumed, less assets taken over—			
Liabilities assumed	$437, 331. 18		
Less assets taken over	317, 031. 72		
		120, 299. 46	
Recording deeds, mortgages, etc., incidental to reorganization		3, 620. 32	
Other items not in accordance with the present classification of accounts, three months' interest in portion of funded debt, Oct. 1, 1890, to Dec. 31, 1890		113, 145. 00	
			$27, 701, 484. 78
From the Houston and Texas Central Railway Company (2) (Waco and Northwestern Division)—			
Funded debt issued at par		1, 105, 000. 00	
Recorded money outlay—			
Cash paid at purchase	$150, 000. 00		
Other cash payments	66, 897. 36		
		216, 897. 36	
			1, 321, 897. 36
From The Central Texas and Northwestern Railway Company—			
Funded debt assumed at par		180, 000. 00	
Less assets taken over in excess of liabilities assumed—			
Current assets taken over	$37, 803. 79		
Less current liabilities assumed	25, 739. 94		
		12, 063. 85	
			167, 936. 15

For property purchased—Continued.			
From the Fort Worth and New Orleans Railway Company—			
Funded debt assumed at par		$709,000.00	
Liabilities assumed less assets taken over—			
Current liabilities assumed	$363,333.26		
Less current assets taken over	277,330.60		
		86,002.66	
			$795,002.66
From The Austin and Northwestern Railroad Company—			
Funded debt assumed at par		1,920,000.00	
Liabilities assumed less assets taken over—			
Current liabilities assumed	$440,234.56		
Less current assets taken over	187,210.15		
		253,024.41	
			2,173,024.41
From The Houston Railway Company, recorded money outlay—			
Cash paid at purchase		20,000.00	
Cash paid recording deed		3.50	
			20,003.50
From the Lancaster Tap Railroad, 10-year note to mature Sept 30, 1915			50,000.00
From the Hearne and Brazos Valley Railway Company—			
Recorded money outlay		149,190.38	
Liabilities assumed less assets taken over—			
Liabilities assumed and later adjusted	$283,208.83		
Less current assets taken over	57,580.03		
		225,628.80	
			374,819.18
Total			32,604,168.04
For construction, additions and betterments by the Houston & Texas Central:			
Road—			
Recorded money outlay		8,534,836.87	
Interest computed by the Texas & New Orleans on its own funds		10,991.67	
		8,545,828.54	
Less retirements credited at		333,116.61	
			8,212,711.93

For construction, additions and betterments by the Houston & Texas Central—Continued.			
Equipment—			
Recorded money outlay		$2,014,122.54	
Less retirements credited at		1,731,371.83	
			$282,750.71
Total recorded as of date of valuation			41,099,630.68

If the other items set out in the above general analysis were eliminated, and if all the items then remaining were taken at their recorded values, the balance in the investment in road and equipment account would be decreased $113,145, or to $40,986,485.68.

This adjusted amount would be the result, on the one hand, of gross outlays that consist, in part, of considerations other than cash recorded at $32,112,303.15, and, on the other hand, of items deductible from the gross outlays and recorded at $2,064,488.44, but not specifically deductible at the recorded amounts. The cash value at the time of the transactions of the considerations other than cash and of the items deductible from the gross outlays is not known and can not be definitely determined. Securities issued in the acquisition of property were issued at par value.

The balance in the investment in road and equipment account, if adjusted to the above extent, so far as it is resolvable into the kinds of considerations, would comprise the following classes of recorded outlay:

Recorded money outlay	$10,938,670.97
Capital stock issued at par value	10,000,000.00
Funded debt issued at par value	18,559,420.00
Funded debt assumed at par value	2,869,000.00
Interest computed on cash expended	10,991.67
Current liabilities assumed less assets taken over recorded value	672,891.48
From which should be deducted such portions, not definitely determinable, as represent road and equipment retired, credited at	2,064,488.44

ORIGINAL COST TO DATE

The original cost to date of the road and equipment, including land, owned by the Houston & Texas Central and used for common-carrier purposes has not been definitely ascertained. For the following such property constructed by its predecessors in ownership, no accounting or construction records of the outlays for original construction have been found.

Property	Recorded mileage
Washington County Rail Road Company	21.31
The Houston Railway Company (3.13 miles yard tracks)	4.75
Lancaster Tap Railroad	
Total	26.06

For creating and improving the remaining 829.344 miles of road, including land and equipment acquired from predecessors and for additions and betterments by the Houston & Texas Central to the entire property, the data obtained are as follows:

Houston & Texas Central:	
Recorded money outlay	$10, 548, 959. 41
Interest computed on the company's funds	10, 991. 67
From which should be deducted such portions, not definitely determinable, as represent road and equipment retired, credited at	2, 064, 488. 44
Houston and Texas Central Railway Company (2):	
Recorded money outlay	12, 371, 644. 93
Short-term notes, par value	609, 401. 24
Additions and betterments from November, 1879, to January, 1885, which the Houston and Texas Central Railway Company (2) cleared through operating expenses	2, 257, 999. 36
Undeterminable portions of outlays recorded as investment in road and equipment, having a total of $7,836,-060.78	----------
From which should be deducted such portions, not definitely ascertainable, as may be represented by property sold in exchange for capital stock of the Texas Central Railway Company, par value $50,000	----------
Depreciation and renewals of equipment, credited at	736, 506. 62
Houston and Texas Central Railway Company (1):	
Recorded money outlay	678, 934. 37
Amount paid Confederate States for construction	74, 559. 83
Short-term notes, par value	55, 491. 59
Investment securities	14, 913. 22
Common stock, par value	500. 00
Outlay to contractors, not separable into its constituent elements	1, 569, 565. 38
Commissions	40, 832. 68
Interest	6, 439. 40
From which should be deducted such portions, not definitely determinable, as represents road and equipment retired.	
Air Line Railroad Company, recorded money outlay	50, 287. 37
The Waco and Northwestern Railroad Company, recorded money outlay as recorded by the Houston and Texas Central Railway Company (2)	442, 880. 99
Waxahachie Tap Railroad Company, and The Central Texas and Northwestern Railway Company:	
Recorded money outlay	145, 421. 21
Capital stock, par value	200, 000. 00
Funded debt, par value	60, 000. 00
Notes for purchase of equipment	3, 900. 00

Waxahachie Tap Railroad Company, and The Central Texas and Northwestern Railway Company—Continued.	
From which should be deducted such portions, not definitely determinable, as represent road and equipment retired, credited at	$3, 461. 14
Fort Worth and New Orleans Railway Company:	
Recorded money outlay	278, 746. 21
Capital stock issued, par value	300, 000. 00
Funded debt issued, par value	709, 000. 00
The Austin and Northwestern Railroad Company, and The Austin and North Western Rail Road Company:	
Recorded money outlay	608, 529. 47
Capital stock, par value	892, 000. 00
Funded debt, par value	2, 340, 000. 00
From which should be deducted such portions, not definitely determinable, as represent—	
Property sold, proceeds credited at	38, 646. 50
Property retired, credited at	72, 858. 50
Hearne and Brazos Valley Railway Company:	
Recorded money outlay	128, 244. 05
Capital stock, par value	52, 870. 00
Outlays, the nature of which is undeterminable on account of missing records	90, 921. 72
From which should be deducted such portions, not definitely determinable, as represent—	
Road and equipment retired	----------
Sale of telephone line, credited at	474. 35

The several classes of outlay by the various companies above detailed are summarized by classes as follows:

Recorded money outlay	$26, 348, 949. 82
Funded debt, par value	2, 400, 000. 00
Capital stock, par value	1, 175, 370. 00
Short-term notes, par value	668, 792. 83
Investment securities, par value	14, 913. 22
Amount paid Confederate States for construction	74, 559. 83
Additions and betterments from November, 1879, to January, 1885, which the Houston and Texas Central Railway Company (2) cleared through operating expenses	2, 257, 999. 36
Outlays not separable into their constituent elements	1, 660, 487. 10
Commissions	40, 832. 68
Interest	17, 431. 07
Undeterminable portions of outlays recorded as investment in road and equipment by the Houston and Texas Central Railway Company (2), having a total of $7,836,060.78	----------
From which should be deducted such portions, not definitely determinable, as represent—	
Road and equipment retired, credited at	2, 140, 808. 08
Property sold, proceeds credited at	39, 120. 85

From which should be deducted such portions, not definitely determinable, as represent—Continued.

Property of the Houston and Texas Central Railway Company (2) sold in exchange for capital stock of the Texas Central Railway Company, par value, $50,000	
Depreciation and renewals of equipment, credited at	$736,506.62

The cash value at the time of the transactions of the considerations other than cash is not known and can not be definitely determined, because it has not been possible to obtain the necessary information.

Besides the several amounts above summarized, certain predecessors of the Houston & Texas Central charged to their income and profit and loss accounts amounts aggregating $243,630.62 purporting to be expenditures for physical property, as listed hereunder.

Predecessor	Amount
The Central Texas and Northwestern Railway Company	$63,141.31
Fort Worth and New Orleans Railway Company	100,710.22
The Austin and Northwestern Railroad Company	79,779.09
Total	243,630.62

However, since it is not possible, solely from an analysis of the accounts, to determine whether such charges represent the cost of additional property still in existence on date of valuation and do not represent renewals or replacements, in whole or in part, of property retired and not written out of the accounts, the amounts have not been included in the above summary. On the other hand, it has not been determined whether there should not be further deductions for property retired.

The above outlays may include some or all of the undetermined cost of certain lands classified herein as noncarrier lands and some or all of the undetermined portions, assignable to noncarrier lands, of the cost of lands classified herein as partly carrier and partly noncarrier. The Houston & Texas Central has charged to its miscellaneous physical property account $17,557.50 to represent the book value of miscellaneous real estate used for other than common-carrier purposes. It was not determined what part of the amount charged to miscellaneous physical property account applies to the lands classified herein as carrier or as partly carrier and partly noncarrier. Certain amounts reported by the Houston & Texas Central as costs of such lands, but which are not supported in the accounts, are stated in the section of this chapter that is devoted to cost of lands.

Cost of lands.—The Houston & Texas Central reports amounts aggregating $1,253,829.50 as the outlays by itself and its predecessors in connection with lands and rights owned or used by it, including noncarrier lands, and that the proceeds from the sale of parts of parcels of such lands aggregate $344,911.91. A verification of the amounts indicates that the reported outlays should be reduced by $4,530.91, and that the proceeds from the sale of parts of parcels sold should be increased by $456.25, as detailed on following page:

	Amount	Proceeds from sales
Additions:		
Omitted costs	$10,573.14	$406.25
Understatement of costs and sales	15.90	
Total	10,589.04	406.25
Deductions:		
Costs reported for land upon which industrial tracks are laid	35.00	
Gravel-pit rights	2,275.40	
Overstatement of costs	2.20	
Payments for rentals returned as costs	85.00	
Recording costs estimated	3,074.06	
Costs returned for lands donated	9,423.29	
Costs reported chargeable to other than land	225.00	
Total	15,119.95	
Net total deductions	4,530.91	
Net total additions		406.25

The returns include certain lands which were donated; certain lands for which nominal deed considerations only are reported; certain lands for which no considerations are named in instruments; certain lands held by adverse possession; certain lands for which the agreements to convey are the only evidence of title; certain lands acquired through exchange of other lands; certain lands for which the considerations recited in deeds are other than of a monetary value; certain lands acquired by condemnation for which costs are not ascertainable; certain lands leased for which no costs are reported; certain rights in public domain and in private lands classified as carrier, with no costs reported; and one right in private lands, classified as noncarrier, for which no costs are reported.

The amounts reported by the Houston & Texas Central as costs incurred by it or its predecessors for the remaining lands owned, after making the changes noted above, are made up in part of costs supported by accounting records and in part of substantial considerations named in deeds, which the Houston & Texas Central returned as costs, but which are not supported by accounting records. These amounts and the proceeds from parts of parcels sold, both classified according to the classification herein of the lands to which they apply, are summarized as follows:

Classification	Costs supported by accounting records	Amounts not supported by accounting records
Lands classified as carrier:		
Owned and used (includes $265,839.35 unsupported costs not separable as to carrier lands owned and used, owned but used by other carriers, owned but partly used by other carriers, owned jointly and used jointly, noncarrier and partly carrier and partly noncarrier)	$58,679.33	$1,078,189.36
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of (includes $173,253, not separable as to carrier, owned and used, owned jointly and used jointly, noncarrier and partly carrier and partly noncarrier)		329,539.58
Owned, but used by other carriers (see remarks under carrier owned and used)		2,400.00
Owned but partly used by other carriers (see remarks under carrier owned and used)		150.00
Owned jointly and used jointly (see remarks under carrier lands, owned and used)		882.50
Used, but not owned		315.00
Total	58,679.33	1,081,936.86
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of		329,539.58
Lands classified as noncarrier:		
Owned (see remarks under carrier lands)		25,602.75
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of (see remarks under carrier lands)		199.83

Classification	Costs supported by accounting records	Amounts not supported by accounting records
Lands classified as partly carrier and partly noncarrier:		
Owned and partly used (see remarks under carrier lands)		$61,329.74
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of (see remarks under carrier lands)		15,578.75
Rights in public domain classified as carrier, owned and used	$10,760.64	
Miscellaneous attendant costs not assignable to the above groups	10,989.27	

Cost of machinery and equipment.—The Houston & Texas Central reports that it owns and uses 1,118 units of equipment, 299 roadway machines, and certain machinery, with costs aggregating $2,828,355. A verification of the returns indicates that the number of units of equipment should be reduced by three and that the costs should be reduced by $1,985, as detailed below.

Description	Units	Amount
Deductions:		
Roadway machines, overstatement of costs		$82
Freight-train cars—		
Omitted from inventory, lost or destroyed	2	1,172
Overstatement of costs		398
Work equipment, omitted from inventory	1	593
Total	3	2,245
Additions:		
Roadway machines, understatement of costs		230
Freight-train cars, understatement of costs		20
Passenger-train cars, understatement of costs		10
Total		260
Net total deductions	3	1,985

After making the changes noted above and classifying the returns according to the classification herein of the property to which they apply, the revised returns are summarized as follows:

Classification	Units	Costs supported by accounting records	Amounts estimated by the Houston & Texas Central or otherwise not supported by the accounting records
Machinery:			
Roadway machines	299	$12,383	$12,720
Shop machinery		99,514	114,841
Total		111,897	127,561
Equipment:			
Steam locomotives	82	862,429	111,475
Freight-train cars	815	797,251	36,637
Passenger-train cars	92	542,799	75,136
Work equipment	126	140,209	20,976
Total	1,115	2,342,688	244,224

In addition, the Houston & Texas Central uses, on date of valuation, equipment as detailed below. The amounts stated as representing costs are those taken from the returns of the owning companies. The terms under which said equipment is used by the Houston & Texas Central are given in the chapter devoted to leased railway property.

Classification	Units	Costs
Used but not owned, leased from—		
Southern Pacific Company—		
Steam locomotives	21	$466,135
Freight-train cars	2,037	2,325,569
Passenger-train cars	21	243,640
Total	2,079	3,035,344
Central Pacific Railway Company, passenger-train cars	1	9,775
Grand total	2,080	3,045,119

MISCELLANEOUS PHYSICAL PROPERTY

The investment of the Houston & Texas Central in miscellaneous physical property on date of valuation is stated in its books as $22,049.10, divided as follows:

Lands:		
80 acres for road quarry at Richmond	$14,200.80	
4.17 acres for right of way to quarry	251.20	
Right of way for 10,200 feet of track abandoned on old Hearne railway, from Hearne southwesterly	2,905.50	
2,500 square feet of lot No. 21, Hollingsworth subdivision of John Austin, Two League Grant, Chaney Junction	200.00	
		$17,557.50
Miscellaneous:		
Track material leased to W. S. Hipp	4,455.52	
Emergency hospital at Ennis (labor and material)	36.08	
		4,491.60
Total		22,049.10

The amount of $2,905.50 recorded as the value of abandoned right of way from Hearne southwesterly is based on an appraisal made at the time of the withdrawal of the land from transportation purposes and does not coincide with the actual cost, which was found to be $621.85.

The amount stated above for lands may include some of the undetermined cost of lands classified herein as carrier lands and some of the undetermined portions, assignable to carrier lands, of the cost of lands classified herein as partly carrier and partly noncarrier. On the other hand, it may not include all of the undetermined cost of certain lands classified herein as noncarrier lands, or the cost of lands classified herein as partly carrier and partly noncarrier.

The cost of the lands referred to above, so far as they are indicated by accounting records, together with certain amounts reported by the Houston & Texas Central as costs of such lands, but which are not supported in the accounts, are stated in the chapter on original cost to date.

INVESTMENTS IN OTHER COMPANIES

Houston & Texas Central.—The investments of the Houston & Texas Central in other companies on date of valuation are stated in its records at a total book value of $1,100,708.91. A statement of the several investments recorded as of date of valuation, with their respective par values and book values, follows:

	Par value	Book value
Stocks, affiliated carrier corporations:		
Fort Worth Union Passenger Station Company	$45,400.00	$45,400.00
Union Terminal Company	6,000.00	6,000.00
Total	51,400.00	51,400.00
Bonds, other bonds:		
Bryan and Central Texas Interurban Railway Company	212,000.00	211,500.00
United States Government Liberty bonds	1,450.00	1,450.00
Total	213,450.00	212,950.00
Receiver's certificates, receivers Bryan and Central Texas Interurban Railway Company	17,000.00	17,000.00
Notes:		
Affiliated carrier corporations, Union Terminal Company	78,571.43	78,571.43
Other notes—		
San Antonio and Aransas Pass Railway Company	218,411.72	218,411.72
Miscellaneous	5,217.31	5,217.31
Total	223,629.03	223,629.03
Advances:		
Affiliated carrier corporations—		
Southern Pacific Company	449,356.26	449,356.26
Hospital Association of Southern Pacific Lines	11,172.75	11,172.75
Total	460,529.01	460,529.01
Other advances—		
Advances due from employees, Liberty loan bond subscriptions	32,814.01	32,814.01
Greenville, Whitewright and Northern Traction Company	14,040.19	14,040.19
Receivers Greenville and Northwestern Railway	1,913.00	1,913.00
Bryan and Central Texas Interurban Railway Company	7,862.24	7,862.24
Total	56,629.44	56,629.44

The considerations recorded as passed in the acquisition of the investments recorded as of date of valuation are summarized below.

Capital stock:		
Liquidation of advances	$48,400.00	
Partial settlement of note	3,000.00	
		$51,400.00
Bonds:		
Cash	1,950.00	
Liquidation of advances	211,000.00	
		212,950.00
Notes and receivers' certificates:		
Acquired—		
Cash	$95,571.43	
Payments for property sold	12,707.93	
Liquidation of advances	338,251.09	
		446,530.45

Notes and receivers' certificates—Continued.		
Disposed of—		
Cash	$7,490.62	
Rental for track applied against notes in settlement of advances	119,839.37	
		$127,329.99
		$319,200.46

The open account transactions between the Houston & Texas Central and the Southern Pacific Company, at date of valuation, reflected a debit balance of $449,356.26, which is classified by the Houston & Texas Central as an investment in advances. The open account with the Southern Pacific Company is a reflection of various transactions between that company and the Houston & Texas Central. The Southern Pacific Company acts as a clearing house or banker in the collecting and disbursing of current and other transactions for and on account of the Houston & Texas Central.

The transactions under this heading may be summarized as follows:

Debits:		
Cash		$28,788,044.03
Collection of current assets		1,185,871.81
Interest on open account balances		391,970.67
Five per cent debenture bonds at par		502,000.00
Capital stock, Wells Fargo Company		8,140.00
Total		30,876,026.51
Credits:		
Cash		4,079,663.24
Bond interest paid		12,739,572.50
Liquidation of current liabilities		9,951,894.43
Equipment, rail and other materials		1,861,612.15
Interest on notes and open account		706,927.93
Dividends paid		600,000.00
Securities retired—		
First-mortgage bonds of The Central Texas and Northwestern Railway Company	$180,000	
Five per cent debenture bonds	57,000	
		237,000.00
Notes paid		250,000.00
Total		30,426,670.25
Debit balance on date of valuation		449,356.26

Other open accounts, classified as investment accounts by the Houston & Texas Central, reflected amounts which aggregate a net balance, on date of valuation, of $67,802.19, for which the recorded considerations follow:

Hospital Association of Southern Pacific Lines, cash advances		$11,172.75
Advances due from employees, Liberty loan bond subscriptions, cash advances	$60,850.00	
Less bonds held by the Houston & Texas Central	$1,450.00	
Less collections from employees	26,585.99	
	28,035.99	
		32,814.01

Greenville, Whitewright and Northern Traction Company:		
Advances	$84,841.22	
Less note in part settlement	70,801.03	
		$14,040.19
Bryan and Central Texas Interurban Railroad Company, advances	226,505.12	
Less—		
First-mortgage bonds at par	$211,000.00	
Material and supplies	5,276.15	
Settlement of open accounts	2,366.73	
	218,642.88	
		7,862.24
Receivers Greenville and Northern Railway, advances		1,913.00
Total		67,802.19

In addition, the Houston & Texas Central acquired, and held on date of valuation, Dallas Division first-mortgage 4 per cent bonds of the Texas and New Orleans Railroad Company of a par value of $598,000. These bonds were purchased through cash proceeds from sale of lands, held as a general mortgage trust fund by the trustees of the first and general mortgages. The amount thus invested was carried on the books of the Houston & Texas Central, on date of valuation, at $582,924.42, and was debited to an account styled "Sinking Fund."

United States Railroad Administration.—During the United States Railroad Administration's period of operation, from January 1, 1918, to date of valuation, the items recorded as cash investments in other companies aggregate $386,900.99, as follows:

	Par value	Book value
Advances:		
W. G. McAdoo, director general	$300,000.00	$300,000.00
Hospital Association of Southern Pacific Lines	388.60	388.60
Employees' subscription to Third Liberty loan	86,512.39	86,512.39
Total	386,900.99	386,900.99

AIDS, GIFTS, GRANTS, AND DONATIONS

The Houston & Texas Central reports the following aids, gifts, grants, and donations as having been received by it or its predecessors:

Description	Expense of acquisition	Amount of donation
Land-grant lands,[1] 5,136,435.13 acres donated to predecessors by the State of Texas	$3,142,318.82	
Other lands,[1] various parcels donated to the Houston & Texas Central by the State of Texas, various individuals, and corporations	13.20	
Cash, donated by various individuals, recipient:		
Houston & Texas Central	1.00	$7,950.00
Houston and Texas Central Railway Company (1)		16,131.85
The Waco and Northwestern Railroad Company		4,515.00
Bonds and warrants donated by various individuals and municipalities, recipient:		
Houston and Texas Central Railway Company (1)—		
Dallas City warrants		608.50
Dallas City bonds		7,651.19
McKinney Town bonds		20,000.00
Sherman City bonds		50,000.00
The Waco and Northwestern Railroad Company, Waco City bonds		100,000.00
Notes of various individuals and municipalities donated to the Houston and Texas Central Railway Company (1)		17,550.00

[1] Neither the cost to the donors of donated lands nor their value at the time of acquisition was reported by the Houston & Texas Central.

Land-grant lands.—The 5,136,435.13 acres of lands were received by the following predecessors of the Houston & Texas Central under various acts of the Legislature of the State of Texas:

	Acres
Houston and Texas Central Railway Company (1)	4,257,715.13
The Waco and Northwestern Railroad Company	481,280.00
Washington County Rail Road Company	240,000.00
The Waxahachie Tap Railroad Company	113,920.00
The Austin and Northwestern Railroad Company	43,520.00
Total	5,136,435.13

A portion of the above acreage was disposed of as shown below. The acreage sold by each predecessor was not reported.

Predecessor	Expenses and taxes	Consideration received	Net amount received
Houston and Texas Central Railway Company (1)	$3,142,318.82	$15,468,071.96	$12,325,753.14
The Waco and Northwestern Railroad Company		200,000.00	200,000.00
Washington County Rail Road Company		95,609.26	95,609.26
The Waxahachie Tap Railroad Company		17,530.00	17,530.00
The Austin and Northwestern Railroad Company		3,400.00	3,400.00
Total	3,142,318.82	15,784,611.22	12,642,292.40

"Expenses and taxes," as above, include $1,233,429.90 of taxes paid by the Houston and Texas Central Railway Company (1).

The Houston & Texas Central reports 16,927.41 acres held on date of valuation, with an estimated value of $56,288.75, and an estimated value of $1,692 at the time of acquisition.

We are not able to state the amount of value of any concession or allowance that may have been made in consideration of any such grant by governmental bodies.

In addition to the foregoing, the following aids were found of record:

Recipient	Donor	Description	Amount
Houston & Texas Central	Various individuals and companies.	Labor and material spur tracks, cotton platforms, paving, crossings, and trestles.	$17,691.43
	W. O. Bowers	Proceeds from sale of lots	2,557.15
	Bryan and Central Texas Interurban Railway Company.	Installing block signal system	3,442.93
	City of Denison	Construction of subway at Denison.	2,500.00
	United States Government	Construction of subway at Eureka.	978.50
	Bear Crass Coal Company	6.40 acres of land, Leon County, between Jewett and Evansville.	256.00
	Green Press Brick Company	73 acres of land, Ferris	109.50
	Vilbig Brothers	0.099 acre of land, right of way for spur track at Dallas.	19.80
	Texas Power & Light Company.	0.13 acre of land at Waco	260.00
Houston and Texas Central Railway Company (2).	Citizens of Austin	Construction bonus	447.75
	Not shown	Right of way through Travis County.	3,000.00
	J. Baldridge, and others	Note. Terminal facilities at Ennis.	25,000.00
	Citizens of Reisel	Contribution for station at Reisel.	900.00
The Waxahachie Tap Railroad Company.	Waxahachie City	Bonds in aid of construction	13,600.00

The report of the Houston & Texas Central upon the cost of its lands shows that certain lands were acquired by it or its predecessors through deeds that recite merely nominal considerations or no considerations. Since the records reviewed do not indicate that any actual payment was made in the acquisition of these lands, they have been herein designated as apparent aids.

MATERIAL AND SUPPLIES

The balance in the material and supplies account of the Houston & Texas Central, as of December 31, 1917, was $440,881.72. This sum was taken over to the books of the United States Railroad Administration and was stated on date of valuation as a "deferred asset" on the books of the Houston & Texas Central.

The balance in the material and supplies account of the United States Railroad Administration, on date of valuation, was $1,098,548.99.

LEASED RAILWAY PROPERTY

The Houston & Texas Central used facilities owned by other companies and other companies used facilities owned by the Houston & Texas Central on December 31, 1917, as indicated in the statement below. The description of the property, the period and terms of use, and the rentals paid or received during the year ending December 31, 1917, are as follows:

	Rentals
Solely owned, but jointly used, used with—	
Texas Midland Railroad, passenger terminal at Ennis, including 1.22 miles of tracks; rental $150 per month; 30 days' notice to cancel	$599. 16
Texas and New Orleans Railroad Company, freight terminals at Dallas, including 2.08 miles of tracks; rental 2.5 per cent per annum on valuation; maintenance and operation on basis of usage; six months' notice to cancel	11, 491. 38
St. Louis, San Francisco and Texas Railway Company, track from Denison to Sherman, 9.30 miles; monthly rental of $387.50 plus 5 per cent per annum on one-half of improvements; maintenance on basis of usage; 30 days' notice to cancel	7, 426. 99
The Missouri, Kansas & Texas Railway Company of Texas—	
Freight and passenger terminals at Austin, including 1.88 miles of tracks; rental one-half of 5 per cent on valuation plus additions and betterments; maintenance, operation, and taxes on basis of usage; one year's notice to cancel	10, 959. 98
Track to freight depot at Fort Worth, 0.89 mile; rental 2.5 per cent per annum on valuation, 10 per cent of maintenance and repairs, 50 per cent of taxes; one year's notice to cancel	2, 749. 04
The Trinity and Brazos Valley Railway Company, track from Waxahachie to Fort Worth, 39.92 miles; rental 3 per cent per annum on valuation plus additions and betterments; maintenance and operation on basis of usage; 50 per cent of taxes; six months' notice to cancel	35, 386. 26
Bryan and Central Texas Interurban Railway Company, track from Bryan Junction to Interurban Junction, 1.23 miles; rental 25 cents per trip for motor cars; $1 per trip for trains; six months' notice to cancel	

	Rentals
Solely owned, but jointly used, used with—Continued.	
Texas and New Orleans Railroad Company,[1] 7 miles of road	
The Galveston, Harrisburg and San Antonio Railway Company; and The Houston East and West Texas Railway Company,[1] terminals at Houston. Track from Eureka to Stella 9.51 miles	
The San Antonio and Aransas Pass Railway Company,[1] track from Bellaire to Houston 8.42 miles	
Galveston, Houston and Henderson Railroad Company,[1] passenger facilities at Houston 0.57 mile	
Solely used, but not owned, leased from Southern Pacific Company and Central Pacific Railway Company, equipment hereinbefore detailed in the chapter on original cost to date; rental based on one-half of 1 per cent of the cost of equipment, plus a yearly depreciation of 3 per cent	
Jointly used, but not owned, owned by—	
Texas and New Orleans Railroad Company; The Galveston, Harrisburg and San Antonio Railway Company; and The Houston East and West Texas Railway Company, terminals at Houston, including 43.36 miles of road; rental a proportion of 5 per cent on agreed valuation; maintenance, operation, and taxes on basis of usage; majority vote cancels	$29, 296. 94
The Union Terminal Company (Dallas, Tex.), second main track from Union Terminal Junction to Gulf, Colorado and Santa Fe Railway Junction, at Dallas, 0.17 mile, and second main track from Union Terminal Junction to Missouri, Kansas & Texas Railway Junction, at Dallas, 2.20 miles; rental one-seventh of interest on Union Terminal Company's bonds; maintenance, operation, and taxes on basis of usage; period 99 years from Apr. 1, 1912	40, 398. 20
The Texas and Pacific Railway Company—	
Track from Dallas to Fort Worth, 30.68 miles; rental 75 cents per train-mile; 70 per cent of passenger revenue over joint track; 6 months' notice to cancel	5, 344. 19
Passenger station at Dallas; rental 3 per cent per annum on valuation; joint expenses divided equally	
The San Antonio and Aransas Pass Railway Company, track from Flatonio to Giddings, 38.05 miles; rental one-half of 4 per cent on estimated investment of $27,000 per mile, 4 per cent on cost of reconstruction, 2.5 per cent on cost of additions and betterments; maintenance, operation, and taxes on basis of usage; period 50 years from Sept. 26, 1912	35, 634. 91
Bryan and Central Texas Interurban Railroad Company, track from Bryan to Bryan Junction, 11 miles, and from Interurban Junction to Whitaker, 12.20 miles; 60 per cent of maintenance; six months' notice to cancel	

[1] Terminal facilities at Houston are pooled and operated as a unit by the Texas and New Orleans Railroad Company. Rental is based upon 5 per cent per annum on agreed valuation; maintenance and operation apportioned upon basis of cars in and out, tonnage handled, etc., after deductions of amounts collected from the San Antonio and Aransas Pass Railway Company and the Galveston, Houston and Henderson Railroad company $199,119.94.

	Rentals
Jointly used, but not owned, owned by—Continued.	
Fort Worth Union Passenger Station Company—	
Track from Eighteenth Street to Union Station, Fort Worth; track maintained by the Houston & Texas Central	----------
Passenger station at Fort Worth; taxes, insurance, and interest on bonds apportioned equally to users; maintenance and operation on basis of usage; agreement expires Aug. 31, 1948	$2, 215. 11
Texas and New Orleans Railroad Company, track at Dallas, 2.87 miles; rental based on 2.5 per cent of agreed valuation; maintenance and operation on basis of usage; six months' notice to cancel	1, 449. 28
Gulf, Colorado and Santa Fe Railway Company, second main track from Gulf, Colorado and Santa Fe Railway Junction to Union Terminal Junction, at Dallas, 0.69 mile; rental 60 cents per train-mile; agreement expires Oct. 8, 1920	----------
International and Great Northern Railway Company, passenger station at McNeil; rental one-half of 5 per cent per annum on valuation, one-third of salaries of employees, 50 per cent of maintenance, taxes, and insurance	75. 60
The Missouri, Kansas & Texas Railway Company of Texas—	
Passenger facilities at Denison, including 0.76 mile of tracks; rental one-third of 5 per cent per annum on valuation; $250 per month maximum (maximum now being paid); maintenance and operation on basis of usage	3, 060. 44
Second main track from Missouri, Kansas & Texas Railway Junction at Dallas to Oasis, 4.33 miles; rental 60 cents per train-mile; 60 days' notice to cancel	----------
St. Louis Southwestern Railway Company of Texas, passenger facilities at Waco, including 0.51 mile of tracks; rental $4,000 per annum for two trains each way per day and $3.50 for each additional train per day; three months' notice to cancel	3, 606. 65

In addition to the foregoing, there are certain other facilities of the Houston & Texas Central of minor importance used jointly with other companies, and facilities of other companies used jointly with the Houston & Texas Central, consisting of interlockers, signal towers, crossing protections, minor station and interchange facilities, etc.

GENERAL BALANCE SHEET STATEMENTS

The general balance sheet statement of the Houston & Texas Central, as of date of valuation, follows:

ASSETS

Investments:	
Investment in road and equipment	$41, 099, 630. 68
Sinking funds	582, 924. 42
Miscellaneous physical property	22, 049. 10
Investments in affiliated companies—	
Stocks	51, 400. 00
Notes	78, 571. 43
Advances	449, 356. 26
Other investments, miscellaneous	521, 381. 22
Total	42, 805, 313. 11

Current assets:	
Cash	$31, 968. 75
Loans and bills receivable	1, 167. 49
Miscellaneous accounts receivable	93, 762. 69
Interest and dividends receivable	9, 965. 00
Rents receivable	866, 486. 52
Other current assets	*Cr. 2. 00*
Total	1, 003, 348. 45
Deferred assets:	
Working-fund advances	7, 065. 02
Other deferred assets	1, 725, 111. 44
Total	1, 732, 176. 46
Unadjusted debits:	
Rents and insurance premiums paid in advance	5, 547. 01
Other unadjusted debits	512, 627. 12
Total	518, 174. 13
Grand total	46, 059, 012. 15

LIABILITIES

Stock, capital stock	10, 000, 000. 00
Long-term debt, funded debt unmatured	12, 117, 000. 00
Current liabilities:	
Audited accounts and wages payable	22, 268. 97
Miscellaneous accounts payable	1, 309. 12
Interest matured unpaid	114, 040. 00
Dividends matured unpaid	174. 00
Funded debt matured unpaid	8, 000. 00
Unmatured interest accrued	68, 132. 74
Unmatured rents accrued	8, 928. 57
Other current liabilities	1, 251. 46
Total	224, 104. 86
Deferred liabilities, other deferred liabilities	1, 284, 706. 98
Unadjusted credits:	
Tax liability	98, 490. 14
Insurance and casualty reserves	18, 481. 35
Accrued depreciation, equipment	1, 151, 616. 16
Other unadjusted credits	*Dr. 5, 809. 40*
Total	1, 262, 778. 25
Corporate surplus:	
Additions to property through income and surplus	23, 219. 16
Funded debt retired through income and surplus	11, 666, 066. 76
Sinking-fund reserves	595, 954. 84
Profit and loss credit balance	8, 885, 181. 30
Total	21, 170, 422. 06
Grand total	46, 059, 012. 15

The general balance sheet statement of the United States Railroad Administration, as of date of valuation, covering operation of the property of the Houston & Texas Central, follows:

ASSETS

Investments, miscellaneous	$386, 900. 99
Current assets:	
Cash	796, 322. 44
Net balance receivable from agents and conductors	106, 373. 32
Miscellaneous accounts receivable	1, 096, 170. 81
Material and supplies	1, 098, 548. 99
Other current assets	*Cr. 7. 00*
Total	3, 097, 408. 56
Deferred assets:	
Working-fund advances	577. 60
Other deferred assets	1, 286, 862. 17
Total	1, 287, 439. 77
Unadjusted debits:	
Rents and insurance premiums paid in advance	40. 60
Other unadjusted debits	35, 572. 78
Total	35, 613. 38
Grand total	4, 807, 362. 70

LIABILITIES

Long-term debt, nonnegotiable debt to affiliated companies, open accounts	543, 756. 86
Current liabilities:	
Audited accounts and wages payable	965, 632. 50
Miscellaneous accounts payable	502, 467. 44
Other current liabilities	21, 375. 94
Total	1, 489, 475. 88
Deferred liabilities, other deferred liabilities	1, 602, 773. 04
Unadjusted credits:	
Tax liability	209, 562. 36
Insurance and casualty reserves	7, 230. 75
Operating reserves	*Dr. 66, 594. 10*
Accrued depreciation, equipment	31, 176. 00
Other unadjusted credits	198, 706. 15
Total	380, 081. 16
Corporate surplus, profit and loss credit balance	791, 275. 76
Grand total	4, 807, 362. 70

Predecessor Companies

HOUSTON AND TEXAS CENTRAL RAILWAY COMPANY (2)—PREDECESSOR OF THE HOUSTON & TEXAS CENTRAL

On February 23, 1885, the property of the Houston and Texas Central Railway Company (2) was placed in the hands of receivers. The property, at that time, was under the control of the Morgan's Louisiana and Texas Railroad and Steamship Company, but the outcome of the receivership and subsequent proceedings was to vest control with the Southern Pacific Company.

The entire property of this company was operated by its own organization from April 2, 1861, to February 23, 1885, on which date it was placed in the hands of receivers, who carried on the operation of the entire property until April 11, 1893. The Main Line and the Western divisions, aggregating 452.98 miles, were transferred to the Houston & Texas Central on April 12, 1893, but the receiver for the Waco and Northwestern division, 55.30 miles, continued the operation of that division until June 30, 1898, when that division was also sold to the Houston & Texas Central.

The railroad owned by this company on February 23, 1885, consisted of 508.28 miles of single-track, standard-gage, steam railroad, located entirely within Texas. The main line extended from Houston to Denison, a distance of 337.98 miles. One branch line, known as the Western division, extended from Hempstead to Austin, a distance of 115 miles; and another branch line, known as the Waco and Northwestern division, extended from Bremond to Ross, a distance of 55.30 miles.

CORPORATE HISTORY

Details as to the incorporation and demise of this company will be found in the report on the Houston & Texas Central.

Main Line and the Western divisions.—These divisions were sold under foreclosure to Frederick P. Olcott on September 8, 1888. The property was deeded to him January 18, 1889, but owing to the litigation in progress among the varied interests, the court retained control of the property and its operation until April 11, 1893. Meanwhile on April 1, 1890, Olcott had made conveyance of his rights to the Houston & Texas Central. According to a deed of January 18, 1889, Olcott paid for his purchase the sum of $10,580,000, assuming a liability of $450,000 to the State of Texas and a liability of $60,000 for union depot debentures. Operations from July 18, 1889, to April 12, 1893, were not separately recorded, but were merged with those of the receivership operations.

Waco and Northwestern division.—This division was deeded to George E. Downs on January 18, 1889, in consideration of $25,000 to be paid, the property to be taken subject to the existing mortgage, but without Downs assuming payment of the bonds. This purchase was consummated and a decree of foreclosure was later entered against the property. A second sale was made which also lapsed, but on September 3, 1895, Wilbur F. Boyle purchased the property for $1,505,000. The sale of this part of the property was confirmed by the court on October 5, 1895, and the Houston and Texas Central Railway Company (2) ceased to be a corporation. Though Boyle acquired title to the Waco and Northwestern division, it still remained in the control and under the operation of a receiver until June 30, 1898, when Boyle sold it to the Houston & Texas Central.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The 508.28 miles of road owned by the Houston and Texas Central Railway Company (2) on February 23, 1885, had been acquired by it as follows:

	Recorded mileage
By purchase after foreclosure:	
From David H. Paige and William J. Hutchins—	
Property formerly owned by the Houston and Texas Central Railroad Company (1)	80.51
From William S. Sledge—	
Property formerly owned by the Washington County Rail Road Company	21.31
By direct purchase from the Waco and Northwestern Railroad Company	55.30
Total acquired by purchase	157.12
By construction	351.16
Total recorded as of Feb. 23, 1885	508.28
Less road mileage sold to F. H. Olcott on Sept. 8, 1888	452.98
Total mileage recorded as of June 30, 1898, the date the receivership ended	55.30

Included with the purchase from Paige and Hutchins was 44.49 miles of grading for which ties had been supplied. The Civil War coming on, construction work was abandoned and when work was resumed at Millican, in 1867, the benefit of the former expenditures had largely disappeared. The main line itself had also considerably deteriorated during the war. Of the mileage purchased, 101.82 miles had a gage of 5 feet 6 inches and 223.60 miles of line with the same gage were constructed by the company. The whole line was later brought to standard gage, most of the changing having taken place by August, 1877. Further details with respect to the construction of this property are given in the chapter on development of fixed physical property in the report on the Houston & Texas Central.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records reviewed do not indicate that any syndicating arrangements were made in connection with the issuance of the securities of this company. While the amounts of securities issued and the securities received are obtainable from the books of the Houston and Texas Central Railway Company (2), various transactions of trustees in connection with redemptions were not entered on books. The status of the bonds outstanding is recorded in the decree of the United States Circuit Court for the Eastern District of Texas, dated May 4, 1888. With that information the amount of bonds redeemed prior to the organization can be given, though not the considerations involved. The company issued its securities under conditions and for considerations described in detail in the sections of this chapter devoted to capital stock and long-term debt and other obligations.

Capital stock.—From the date of its incorporation April 3, 1862, to October 5, 1895, when it ceased to be a corporation, this company issued capital stock to the amount of $7,720,500. There was also recorded a liability of $6,400 for stock issuable but not issued. The company issued capital stock in exchange for the following considerations:

Par value	Consideration	Recorded value
Issued		
$70,000	Cash (premium $60,000)	$130,000
747,000	Issued for property par for par to stockholders of the Houston and Texas Central Railway Company (1).	747,000
1,184,500	Issued as a bonus for loans of $1,030,000 at the rate of 115 per cent of the amounts loaned.	1,184,500
2,001,500	Total issued for considerations	2,061,500
5,719,000	Issued in payment of a 700 per cent stock dividend, and charged to income	
7,720,500	Total par value issued.	

In addition to the stock recorded as issued, there was recorded a liability for $800 par value of stock issuable in exchange for capital stock of the Houston and Texas Central Railway Company (1) of the same par value surrendered. When the stock dividend was declared and charged to income there was included in the charge $5,600 for a dividend on the issuable stock. The recorded liability for the stock issuable thus became $6,400, which was never closed by an issue of that amount of stock.

The premium of $60,000 on capital stock was credited to profit and loss account.

Funded debt.—This company issued or assumed a total of $24,011,100 par value of funded debt, of which $17,321,517 was recorded in its books as actually outstanding. The status of the funded debt, as recorded in the books, differs from the status reflected by the court decree previously mentioned, which affected the plans of reorganization, as follows:

	Recorded by the company	Based on court decree
Issued or assumed	$24,011,100	
Reacquired and retired	3,441,583	
Outstanding	20,569,517	$20,569,517
Held in sinking fund	585,000	940,000
Held by trustees as collateral security	2,663,000	2,664,000
Total held	3,248,000	3,604,000
Actually outstanding	17,321,517	16,965,517

As a result of the reorganization and of the Houston & Texas Central's acquisition of the principal parts of the property of the Houston and Texas Central Railway Company (2), on April 12, 1893, the outstanding funded debt of the latter company became as follows:

	Par value
First-mortgage bonds—Waco and Northwestern division	$1,140,000
Income and indemnity bond	500
State of Texas school fund loan	469,017
Total	1,609,517

The first-mortgage bonds remained outstanding until the property covered by them was sold under foreclosure and finally transferred to the Houston & Texas Central. The State of Texas school fund loan was not assumed by the Houston & Texas Central, as the Houston and Texas Central Railway Company (2) had repaid the loan with securities of the State. These had been returned to the company over its protest, but a court decision was rendered in 1909, denying the State's claim for a settlement in other funds.

The Houston and Texas Central Railway Company (2) assumed as part of the respective purchase prices of property of the Houston and Texas Central

Railway Company (1) and of the Washington County Rail Road Company funded debt of those companies as follows:

Houston and Texas Central Railway Company (1):	
State of Texas school fund loan	$450,000
Second-mortgage bonds	125,000
Construction mortgage bonds	500,000
Freight bonds	600
Total	1,075,600
Washington County Rail Road Company:	
State of Texas school fund loan	66,000
Total funded debt assumed	1,141,600

The Houston and Texas Central Railway Company (2) retired $625,600 par value of this assumed funded debt of the following recorded considerations:

Par value	Consideration	Recorded value
Second-mortgage bonds		
$125,000	First-mortgage bonds (Main Line) of the Houston and Texas Central Railway Company (2)	$125,000
Construction-mortgage bonds		
$386,000	First-mortgage bonds (Main Line) of the Houston and Texas Central Railway Company (2)	386,000
114,000	Notes payable	114,000
500,000		500,000
Freight bonds		
$600	First-mortgage bonds (Main Line) of the Houston and Texas Central Railway Company (2)	600

Payments amounting to $18,000 and $28,983 that had been made by the Houston and Texas Central Railway Company (1) and the Washington County Rail Road Company to the respective sinking funds for loans from the State of Texas, when applied against the loans, reduced to $469,017 the indebtedness to the State on July 18, 1889, recorded as funded debt matured unpaid.

The Houston and Texas Central Railway Company (2) issued and reacquired funded debt in exchange for the following considerations, as recorded in its books:

Par value	Consideration	Recorded value
Issued		
$20,350,500	Cash	$12,272,720.47
	Other securities	3,828,778.44
	Settlement of open accounts; notes, interest, and current accounts, not separable; material and supplies; and services	1,308,695.00
20,350,500	Total issued for consideration	17,410,193.91
2,519,000	Total issued to trustees as collateral security.	
22,869,500	Total par value issued.	
Reacquired and retired		
$2,769,000	Cash	1,408,000.00
	Other securities	1,361,000.00
2,769,000	Total reacquired for considerations and retired	2,769,000.00
Outstanding		
$20,100,500	Inclusive of bonds held by trustees.	

Short-term notes.—This company issued short-term notes of $45,136,806.83 par value to the date of the receivership, of which $43,074,249.17 par value had been retired, leaving $2,062,557.66 par value outstanding on July 18, 1889, as summarized in the following tabulation:

Par value	Consideration	Recorded value
Issued		
$45,136,806.83	Cash	$27,109,959.76
	Cash or materials, details for separation not available	1,793,191.84
	Construction and equipment	609,401.24
	Part of the purchase price of property of the Washington County Rail Road Company	133,163.06
	Settlement of current liabilities	10,389,384.62
	Construction bonds	114,000.00
	Income and indemnity bond	1,500.00
	Renewals of due notes	4,986,206.31
45,136,806.83	Total	45,136,806.83
Reacquired and retired		
$43,074,249.17	Cash	35,889,247.34
	Income and indemnity bonds at par	1,149,099.75
	General mortgage bonds	190,000.00
	First-mortgage bonds (main line)	313,578.69
	First-mortgage bonds (Western division)	10,000.00
	Transfer of current assets recorded at	536,117.08
	Renewals	4,986,206.31
43,074,249.17	Total	43,074,249.17
Outstanding		
$2,062,557.66	Recorded amount as of July 18, 1889. Of this amount, $2,061,597.23 was settled under the agreement of Dec. 20, 1887.	

Open accounts.—There was due on July 18, 1889, in open account a total of $457,536.71, as follows:

C. A. Whitney and Company, Morgan's Louisiana and Texas Railroad and Steamship company	$53,763.37
Southern Development Company	403,773.34

These amounts were settled for under the agreement of December 20, 1887.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations as shown in the income and profit and loss accounts of the Houston and Texas Central Railway Company (2), are given below:

Income statement.—A condensed summary of the income accounts for the period from April 2, 1861, to the end of the separate receiverships, the last one terminating June 30, 1898, follows:

Operating income:	
Railway operating revenues	$77,014,579.50
Railway operating expenses	49,198,125.57
Net revenue from railway operations	27,816,453.93
Railway tax accruals	1,964,011.15
Total operating income	25,852,442.78
Nonoperating income	113,362.56
Gross income	25,965,805.34
Deductions from gross income	12,643,707.85
Net income	13,322,097.49
Disposition of net income:	
Dividend appropriations of income	5,724,600.00
Net credit balance transferred to profit and loss	7,597,497.49

Profit and loss statement.—A condensed summary of the profit and loss account for the period from April 2, 1861, to the end of the receiverships follows:

Credits:	
Net credit balance transferred from income	$7, 597, 497. 49
Donations	5, 242, 100. 00
Miscellaneous credits—	
Premium on capital stock sold	60, 000. 00
Sales of State lands	463, 344. 19
Proceeds from leases of State lands	111, 436. 83
Other miscellaneous credits	1, 168, 911. 21
Total	14, 643, 289. 72
Debits:	
Miscellaneous debits—	
Cost of resurvey of State lands and expenses of State Land Department	238, 602. 11
Discount and commission on securities issued	222, 223. 50
Other miscellaneous debits	515, 244. 63
Total	976, 070. 24
Credit balance as of June 30, 1898	13, 667, 219. 48

INVESTMENT IN ROAD AND EQUIPMENT

The investment in road and equipment account was not adjusted to reflect the sale of the major part of the property during the receivership. A combined balance of the amounts carried on the books of the company on July 18, 1889, and of the receivers to January 1, 1891, as investment in road and equipment produces a total of $29,121,812.92, of which the following is a general analysis:

For road and equipment purchased from—		
Houston and Texas Central Railway Company (1)—		
Recorded money outlay		$11, 225. 00
Capital stock issued at par		747, 000. 00
Capital stock, liability for issuance recorded		800. 00
Securities assumed at par—		
State of Texas school-fund loan	$450, 000. 00	
Second-mortgage bonds	125, 000. 00	
Construction-mortgage bonds	500, 000. 00	
Freight bonds	600. 00	
Notes	372, 193. 68	
		1, 447, 793. 68
Current liabilities assumed	236, 013. 11	
Less assets recorded at	57, 087. 65	
		178, 925. 46

For road and equipment purchased from—Con.		
Houston and Texas Central Railway Company (1)—Continued.		
Other items—		
Interest on obligations of the Houston and Texas Central Railway Company (1) after their assumption by the Houston and Texas Central Railway Company (2)—		
Second-mortgage bonds	$67, 568. 46	
Construction-mortgage bonds	261, 048. 80	
Notes and current accounts	259, 349. 15	
		$587, 966. 41
		2, 973, 710. 55
Less assessments against certain stockholders of the Houston and Texas Central Railway Company (1) paid to the Houston and Texas Central Railway Company (2)		77, 260. 00
		$2, 896, 450. 55
Washington County Rail Road Company—		
Recorded money outlay—		
Cash advanced to the Washington County Rail Road Company canceled on acquisition of the property		76, 433. 40
Outlay in securities—		
Notes issued by the Houston and Texas Central Railway Company (2) in settlement of floating indebtedness of the Washington County Rail Road Company		133, 163. 06
State of Texas school-fund loan assumed at par		66, 000. 00
Amount credited in open account for interest of Sledge in property of Washington County Rail Road Company		160, 000. 00
Other item—		
Interest on State of Texas school-fund loan after its assumption by the Houston and Texas Central Railway Company (2)		58, 269. 19
		493, 865. 65

For road and equipment purchased from—Con.		
Washington County Rail Road Company—Continued.		
Less assets of the Washington County Rail Road Company recorded by the Houston and Texas Central Railway Company (2)	$28, 983. 00	
		$464, 882. 65
The Waco and Northwestern Railroad Company—		
Recorded money outlay by the Houston and Texas Central Railway Company (2) on construction for The Waco and Northwestern Railroad Company	442, 880. 99	
Less bonds of the city of Waco received in aid of construction	100, 000. 00	
		342, 880. 99
Construction, additions, and betterments:		
Recorded money outlay	$13, 108, 151. 55	
Short-term notes at par	609, 401. 24	
Estimated value of a donated item of right of way	3, 000. 00	
Additions and betterments from November, 1879, to January, 1885, which the Houston and Texas Central Railway Company (2) cleared through operating expenses	2, 257, 999. 36	
	15, 978, 552. 15	
Less par value of capital stock of the Texas Central Railway Company received for grade sold	50, 000. 00	
Depreciation and renewals of equipment, credited at	736, 506. 62	
		15, 192, 045. 53
Other items, not in accordance with the present classification of accounts		2, 389, 492. 42
Debits—		
Capital stock issued as a bonus to obtain loans	$1, 184, 500. 00	
Net of errors in certain journal entries	90, 000. 00	
Increase of real estate by difference between recorded amount and estimated value	680, 650. 62	
Recorded outlay for surveys abandoned	6, 032. 16	
Interest on State of Texas school-fund loan to the Houston and Texas Central Railway Company (1) after its assumption by the Houston and Texas Central Railway Company (2)	424, 017. 00	

Other items, not in accordance with the present classification of accounts—Continued.		
Debits—Continued.		
Interest on other obligations of the Houston and Texas Central Railway Company (1) assumed by the Houston and Texas Central Railway Company (2), with interest on the interest	$224, 191. 95	
Part of notes applied to retire construction bonds of the Houston and Texas Central Railway Company (1) after having been assumed	19, 635. 00	
Total	2, 629, 026. 73	
Credits—		
Erroneous credit (reversed by charge to profit and loss instead of by debit to this account)	85, 310. 64	
Donations from municipalities and individuals	141, 002. 51	
Miscellaneous items, creditable to income or profit and loss	13, 221. 16	
Total	239, 534. 31	
Other items of which, under the present classification of accounts, only an undetermined portion would be includible in this account:		
Net cost of exchange on drafts, etc., and of conversion from currency to gold or from gold to currency	885, 259. 97	
Drafts on financial agent—no details	70, 000. 00	
Balances transferred from accounts with sundry individuals and companies	46, 506. 25	
Interest paid to Apr. 30, 1875, on the company's various obligations	3, 700, 423. 59	
Discount and commission on bonds	2, 662, 222. 51	
Interest, discount, and commission (not separable)	400, 587. 20	
Miscellaneous items of expense on securities issued	71, 061. 26	
		$7, 836, 060. 78
Total recorded as hereinbefore explained		29, 121, 812. 92

This balance so far as it is resolvable into its component elements would comprise the following outlay:

Property purchased:		
Recorded money outlay	$530, 539. 39	
Capital stock	747, 800. 00	
Notes issued	133, 163. 06	
Credit in open account	160, 000. 00	
Securities and current liabilities assumed	1, 749, 806. 79	
Other items not includible	646, 235. 60	
	3, 967, 544. 84	
Less assets acquired	263, 330. 65	
		$3, 704, 214. 19

Construction, additions and betterments:		
Recorded money outlay	$12,371,644.93	
Notes issued	609,401.24	
Estimated value of item of real estate	3,000.00	
Other items not includible	2,389,492.42	
Other items, only parts of which are includible	10,094,060.14	
	25,467,598.73	
Less capital stock of other company received for property	50,000.00	
		$25,417,598.73
		29,121,812.92

MISCELLANEOUS PHYSICAL PROPERTY

The investment of the Houston and Texas Central Railway Company (2) in miscellaneous physical property on July 18, 1889, is stated in its books as $3,833,343.50, consisting of the following:

Estimated value of 5,240,000 acres of land donated by the State of Texas	$5,240,000.00	
Expenses of surveys, etc	299,918.60	
		$5,539,918.60
Less proceeds of sale:		
Cash	542,825.01	
Notes	1,054,592.40	
Settlement of current liabilities	24,828.88	
Interest on notes	84,328.81	
		1,706,575.10
Total recorded		3,833,343.50

INVESTMENTS IN OTHER COMPANIES

The investments of Houston and Texas Central Railway Company (2) in securities of other companies and advances in open accounts, on July 18, 1889, are stated in its accounts and the accounts of the receivers at a book value of $4,540,765.44, as detailed below:

	Par value	Book value
Stocks	$630,900.00	$352,958.02
Bonds (municipal)	126,344.00	127,094.00
Miscellaneous	33,908.12	33,908.21
	791,152.12	513,960.14
Advances	4,026,805.30	4,026,805.30
Total	4,817,957.42	4,540,765.44

Of the advances, $3,951,105.30 represents transfers of funds from the receivers to trustees under the plan of reorganization.

HOUSTON AND TEXAS CENTRAL RAILWAY COMPANY (1); GALVESTON AND RED RIVER RAILWAY COMPANY—PREDECESSOR OF THE HOUSTON AND TEXAS CENTRAL RAILWAY COMPANY (2)

INTRODUCTORY

The records reviewed are not in sufficient detail to accurately determine in all instances this company's affairs as relating to finances, corporate operations, or investments. Certain information has also been obtained from the return of the Houston & Texas Central in relation to its corporate history. The accounting records of this company were not closed when the property was sold, April 2, 1861, and entries were made therein up to and including June 30, 1867.

The records reviewed indicate that the property of this company was operated by its own organization from the dates of acquirement thereof, to the date of sale. The railroad owned by the company on the date of sale consisted of 80.51 miles of single-track, 5-foot 6-inch gage, steam railroad, located wholly within Texas, and extending from Houston to Millican, all of which had been acquired through construction between 1853 and 1860. In addition, grading was performed and ties were laid from Millican to Mile Post No. 125, a distance of 44.49 miles, during 1860 and 1861.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records reviewed do not indicate that any syndicating arrangements were made in connection with the issuance of the securities of the Houston and Texas Central Railway Company (1). The Houston and Texas Central Railway Company (1) issued its securities and incurred other indebtedness under conditions and for considerations described in detail in the sections of this chapter devoted to capital stock, long-term debt, and other obligations.

Capital stock and long-term debt.—From the date of its incorporation to the date of the last entries, June 30, 1867, the Houston and Texas Central Railway Company (1) issued capital stock and funded debt, as indicated by its records, aggregating $2,650,648.26, of which $1,824,223.26 were actually outstanding on June 30, 1867, as summarized in the following table:

Class	Issued	Retired	Actually outstanding
Capital stock, par value:			
Common	$1,057,123.26	$308,500.00	$748,623.26
Preferred	2,000.00	2,000.00	
Total	1,059,123.26	310,500.00	748,623.26
Funded debt, par value:			
Issued	1,591,525.00	515,925.00	1,075,600.00
Grand total	2,650,648.26	826,425.00	1,824,223.26

Capital stock.—The charter of this company, and the various amendments thereto did not limit the capital stock which it might issue to any particular amount, but did specify that its capital stock would consist of all its property, real and personal, franchises and rights to property, and that said stock would be divided into shares of $100 each. The records show that $1,059,123.26 par value of capital stock was issued, of which $1,057,123.26 was classed as common and $2,000 was classed as preferred. Of the common stock, $421,423.26 par value was issued as conditional stock, the certificates bearing on their face a notation to the effect that same would not be transferable and not entitled to dividends until

the promissary notes issued in payment thereof were paid. This company issued and reacquired capital stock in exchange for the following considerations:

Par value	Consideration	Recorded value
Issued		
$660,275.33	Other securities	$660,275.33
365,000.00	Open accounts (discounts $28,000)	337,000.00
3,300.00	General expenses	3,300.00
30,000.00	Organization expenses	30,000.00
500.00	Property	500.00
47.93	Interest	47.93
1,059,123.26	Total issued for considerations	1,031,123.26
Reacquired		
$304,400.00	Other securities	304,400.00
6,100.00	Open accounts (discount $300)	5,800.00
310,500.00	Total reacquired for considerations	310,200.00
Outstanding		
$748,623.26		

The difference between the par value of capital stock issued and the considerations recorded as received in exchange therefor, being discounts of $28,000, was debited to the profit and loss account. The difference between the par value of capital stock reacquired, being an amount of $300, was adjusted by crediting the profit and loss account.

Funded debt.—This company issued and reacquired funded debt in exchange for the following recorded considerations:

Par value	Consideration	Recorded value
Issued		
$5,700.00	Cash	$5,700.00
44,225.00	Other securities	44,225.00
59,600.00	Notes receivable	59,600.00
1,200.00	Notes payable	1,200.00
1,440,800.00	Open accounts (interest $9,720)	1,431,080.00
1,551,525.00	Total issued for considerations	1,541,805.00
40,000.00	Total pledged to secure notes	40,000.00
1,591,525.00	Total par value issued	1,581,805.00
Reacquired		
$16,600.00	Cash	16,600.00
98,725.00	Other securities	98,725.00
313,400.00	Open accounts	313,400.00
43,200.00	Notes payable	43,200.00
4,000.00	Notes receivable	4,000.00
475,925.00	Total reacquired for considerations	475,925.00
40,000.00	Pledged to secure notes returned and canceled	40,000.00
515,925.00	Total par value reacquired	515,925.00
Retired		
$515,925.00		
Outstanding		
$1,075,600.00		

The difference between the par value of funded debt issued and the considerations recorded as received in exchange therefor, being discounts of $9,720, was charged to balance sheet account Discount on Funded Debt.

A statement of the funded debt actually outstanding on June 30, 1867, follows.

Title of security	Actually outstanding
Issued:	
Bonds to State of Texas (title of issue not of record)	$450,000.00
Second-mortgage bonds	125,000.00
Construction-mortgage bonds	500,000.00
Freight bonds	600.00
Total	1,075,600.00

Short-term notes.—This company issued short-term notes of $1,398,234.95 par value from 1852 to June 30, 1867, of which $1,026,041.27 par value had been retired, leaving $372,193.68 par value outstanding. The considerations recorded as passed in connection with the issuance of these notes and the partial reacquirements thereof are detailed below.

Par value	Consideration	Recorded value
Issued		
$32,803.15	Cash	$32,803.15
88,544.72	Construction and property	88,544.72
893,936.68	Settlement of open accounts	893,936.68
55,736.56	Other securities	55,736.56
35,967.08	Interest	35,967.08
256,618.94	Renewal of due notes	256,618.94
33,618.12	Operating expenses	33,618.12
1,009.70	Written off to profit and loss, $1,009.70	
1,398,234.95	Total	1,397,225.25
Reacquired and retired		
$42,998.73	Cash	42,998.73
685,511.43	Open accounts	685,511.43
5,416.94	Other securities	5,416.94
33,053.13	Construction and property—notes returned	33,053.13
1,135.40	Interest	1,135.40
256,618.94	Notes renewed	256,618.94
1,306.70	Real estate	1,306.70
1,026,041.27	Total	1,026,041.27
Outstanding		
$372,193.68		

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of the Houston and Texas Central Railway Company (1), are given below. In addition to the entries made during the period named below, there were miscellaneous delayed entries as late as June 30, 1867.

Income statement.—A condensed summary of the income accounts for the period from March, 1848, to the date of sale, April 2, 1861, follows:

Operating income:	
Railway operating revenues	$836,954.42
Railway operating expenses	540,031.79
Net revenue from railway operations	296,922.63
Railway tax accruals	3,510.12
Total operating income	293,412.51
Deductions from gross income	274,786.13
Net income	18,626.38
Disposition of net income:	
Credited to an account styled "Construction" and deducted from investment in road and equipment account	293,412.51
Income debit balance transferred to profit and loss	274,786.13

Profit and loss statement.—A condensed summary of the profit and loss account for the period from March, 1848, to the date of sale, follows:

Credits:	
Miscellaneous credits	$3,060.02
Debits:	
Net debit balance transferred from income	274,786.13
Miscellaneous debits—	
Discounts on capital stock	28,000.00
Other miscellaneous debits	12,427.17
Total	315,213.30
Debit balance as of June 30, 1867	312,153.28

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Houston and Texas Central Railway Company (1) in road and equipment, including land, on June 30, 1867, was stated in its books as $2,073,924.23, of which the following is a general analysis:

Cash		$678,934.37
Securities:		
Common stock	$30,500.00	
Notes payable, less notes returned	55,491.59	
Notes of individuals and companies surrendered	14,913.22	
		100,904.81
Work performed by contractors, credited in open account and settled by cash, securities, and other miscellaneous debits not directly ascertainable (not separable)		1,569,565.38
Commissions		40,832.68
Amounts paid Confederate States for construction		74,559.83
Interest		6,439.40
Other items, not in accordance with the present classification of accounts:		
Expenses in connection with State lands donated	$24,236.64	
Less land certificates in settlement of accounts	$19,546.15	
Less balance transferred to other accounts	1,174.30	
	20,720.45	
		3,516.19
		2,474,752.66
Less discounts on accounts previously rendered in Confederate currency (no further detail)		77,415.92
Less results of operation to June 30, 1867—		
Operating revenues	$836,954.42	
Less operating expenses	$476,623.79	
Less capital stock issued	3,300.00	
Less notes issued	33,618.12	
	513,541.91	
		323,412.51
Total		400,828.43
Total recorded as of June 30, 1867		2,073,924.23

INVESTMENTS IN OTHER COMPANIES

The investments of the Houston and Texas Central Railway Company (1) in other companies on June 30, 1867, are stated in its records as $22,529.40, as follows:

	Par value	Book value
Stocks:		
Washington County Railroad Company	$6,000.00	$6,000.00
Air Line Railroad Company	135,000.00	16,529.40
Total	141,000.00	22,529.40

The considerations recorded as passed in the acquisition of the above are summarized as follows:

Short-term notes, par value	$10,146.56
Liquidation of advances	11,282.84
Freight bonds	1,100.00
Total	22,529.40

WASHINGTON COUNTY RAIL ROAD COMPANY—PREDECESSOR OF THE HOUSTON AND TEXAS CENTRAL RAILWAY COMPANY (2)

On the date of sale, June 2, 1868, the Washington County Rail Road Company owned a single-track, 5-foot, 6-inch gage, steam railroad, all within Texas, which extended from Hempstead, a point on the Houston and Texas Central Railway Company (2), to Brenham, a distance of 21.31 miles. The return of the Houston & Texas Central with regard to its corporate history states that the road was built between 1856 and 1860, and that operation began about February 22, 1860. It also states that in the early part of 1861 the road was practically abandoned and operations discontinued until the date of sale. As there were no obtainable accounting records, no further information can be given in connection with the finances, operations, aids, and investments of this company.

AIR LINE RAILROAD COMPANY—PREDECESSOR OF THE WASHINGTON COUNTY RAIL ROAD COMPANY

The return of the Houston & Texas Central with regard to its corporate history states that: "Under the provisions of Section 14 of the Act of the State legislature of January 30, 1860, this company was given authority to consolidate its properties with those of the Washington County Rail Road Company. The consolidation was effected, but no records are available to show the exact date of such consolidation."

The Air Line Railroad Company graded about 5 miles of road, west from Hempstead, Tex., and purchased ties, but no rails were laid. To what extent this grade was used by the Washington County Rail Road Company was not determined from the records reviewed, neither is it definitely known whether or not the consolidation of the two companies was consummated, as copy of conveyance was not located.

The accounting records of the company were not obtained, with the exception of a journal for the period from July 1, 1861, to June 30, 1862, which shows that $320,100 capital stock was issued to subscribers for their notes, of which $49,795.82 was settled for the following considerations:

Construction	$31,392.51
Cash	11,143.83
Miscellaneous	7,259.48
Total	49,795.82

The consideration for the balance of $270,304.18 was not determined.

The partial information contained in the journal, above referred to, shows an amount of $25,289 for construction and $12,895.78 for grading and other accounts aggregating $12,102.59, which, by their nature, if classified, would probably have been charged to investment in road and equipment account.

The Waco and Northwestern Railroad Company; Waco Tap Railroad—Predecessor of the Houston and Texas Central Railway Company (2)

On the date of sale, February 4, 1873, The Waco and Northwestern Railroad Company owned a standard-gage railroad, all within Texas, which extended from Bremond, a point on the Houston and Texas Central Railway Company (2), northwesterly to Ross, a distance of 55.30 miles. The return of the Houston & Texas Central with regard to its corporate history states that the road was constructed by the Houston and Texas Central Railway Company (2) for account of The Waco and Northwestern Railroad Company during 1871 and 1872, and that the property was operated by the former company from the dates when placed in operation until the date of sale. There were no obtainable records. The accounting records of the Houston and Texas Central Railway Company (2), however, report an amount of $442,880.99 as advances to this company for construction.

The Central Texas and Northwestern Railway Company; Waxahachie Tap Railroad Company—Predecessor of the Houston & Texas Central

INTRODUCTORY

The accounting records of The Central Texas and Northwestern Railway Company for the period prior to June 7, 1881, were not obtained, with the exception of a ledger for the period from March to November, 1880, inclusive. Therefore, only partial information can be given from the accounts in connection with its finances, corporate operations, or investments.

On the date of sale, August 22, 1901, this company owned and operated a single-track, standard-gage, steam railroad, all in Texas, extending from Garrett, on the main line of the Houston & Texas Central to Waxahachie, a distance of 12.57 miles. The return of the Houston & Texas Central with regard to its corporate history, states that construction was begun on February 9, 1875, and completed on September 6, 1879. The records reviewed indicate that the property of this company was operated by its own organization from completion of construction to the date of sale.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records reviewed do not indicate that any syndicating arrangements were made in connection with the issuance of the securities of The Central Texas and Northwestern Railway Company. The company issued its securities under conditions and for considerations described in detail in the sections of this chapter devoted to capital stock and long-term debt.

Capital stock and long-term debt.—From the date of its incorporation, January 25, 1875, to the date of sale, this company issued capital stock and funded debt, as indicated by its records, aggregating $440,000 par value, of which $380,000 was actually outstanding on the date of sale, as summarized in the following table:

Class	Issued	Retired	Actually outstanding
Capital stock, par value	$200,000		$200,000
Funded debt, par value	240,000	$60,000	180,000
Total	440,000	60,000	380,000

Capital stock.—The capital stock issued, $200,000 par value, was recorded as a charge to investment in road and equipment.

Funded debt.—First-mortgage bonds of $60,000 par value, to mature June 24, 1899, were issued, which were recorded on June 7, 1881, as issued to J. Riordan for construction. On October 1, 1884, a promissory demand note for $78,960 was exchanged for retirement of the $60,000 first-mortgage bonds, plus accrued interest to October 1, 1884. This note was issued to the Houston and Texas Central Railway Company (2) and was secured by $180,000 first-mortgage bonds of The Central Texas and Northwestern Railway Company, which were issued as collateral. The latter bonds were later sold to the Pacific Improvement Company to retire $72,987.66 of outstanding notes, which resulted in a discount of $107,012.34. This discount was charged to investment in road and equipment.

Short-term notes.—This company issued short-term notes of $131,533.63 par value during the period from October 1, 1884, to December 31, 1892, all of which had been retired by the latter date. The considerations passed in the issuance and reacquirement of these notes are detailed below.

Par value	Consideration	Recorded value
Issued		
$60,000.00	Retirement of funded debt of predecessor	$60,000.00
67,633.63	Payment of coupon interest and interest on notes	67,633.63
3,900.00	Equipment purchased	3,900.00
131,533.63	Total issued for considerations	131,533.63
Reacquired and retired		
$58,545.97	Cash	58,545.97
72,987.66	Funded debt	72,987.66
131,533.63	Total	131,533.63

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of The Central Texas and Northwestern Railway Company, are given below. As hereinbefore stated, no records were obtainable for the period prior to June 7, 1881.

Income statement.—A condensed summary of the income accounts for the period from June 7, 1881, to the date of sale, follows:

Operating income:	
Railway operating revenues	$1,547,143.82
Railway operating expenses	1,008,268.57
Net revenue from railway operations	538,875.25
Railway tax accruals	26,317.17
Total operating income	512,558.08
Nonoperating income	100,907.51
Gross income	613,465.59

Deductions from gross income:	
Charges purporting to be for investment in physical property	$61, 488. 67
Other items	189, 110. 16
Total	250, 598. 83
Net income	362, 866. 76
Disposition of net income:	
Income credit balance transferred to profit and loss	362, 866. 76

Profit and loss statement.—A condensed summary of the profit and loss account for the period from June 7, 1881, to the date of sale, follows:

Credits:	
Net credit balance transferred from income	$362, 866. 76
Miscellaneous credits—	
Bonus received from Wells Fargo and Company through the Southern Pacific Company under contract dated October 9, 1893, between these parties for transportation of express matters	4, 731. 34
Other miscellaneous items	226. 62
Total	367, 824. 72
Debits:	
Dividend appropriations of surplus	200, 000. 00
Miscellaneous debits—	
Charges purporting to be for investment in physical property	1, 652. 64
Other miscellaneous debits	10, 849. 56
Total	212, 502. 20
Credit balance on the date of sale	155, 322. 52

INVESTMENT IN ROAD AND EQUIPMENT

The investment of The Central Texas and Northwestern Railway Company in road and equipment, including land, on date of sale, was stated in its books as $512,872.41, of which the following is a general analysis:

Outlay in securities at par:		
Capital stock issued	$200, 000	
First-mortgage bonds	60, 000	
Notes for purchase of equipment	3, 900	
		$263, 900. 00
Recorded money outlay		145, 421. 21
		409, 321. 21
Less equipment retired, credited at		3, 461. 14
Net total of above items		405, 860. 07
Other items, not in accordance with the present classification of accounts: Discount on funded debt issued		107, 012. 34
Total recorded as of date of sale		512, 872. 41

In addition, this company charged its income and profit and loss accounts with $61,488.67 and $1,652.64, respectively, making an amount of $63,141.31, purporting to be expenditures for investment in physical property during the period from 1897 to 1901, inclusive.

FORT WORTH AND NEW ORLEANS RAILWAY COMPANY—PREDECESSOR OF THE HOUSTON & TEXAS CENTRAL

INTRODUCTORY

The railroad of the Fort Worth and New Orleans Railway Company was placed in operation about December 8, 1886, and was operated until about March 31, 1893, by the receivers of the Houston and Texas Central Railway Company (2). From April 1, 1893, to about December 31, 1893, the property was operated by the Houston & Texas Central, and from the latter date to the date of sale, August 22, 1901, the property was operated by its own organization. On the date of sale the Fort Worth and New Orleans Railway Company owned and operated a single-track, standard-gage, steam railroad, all within Texas, extending from Waxahachie to Fort Worth, a distance of 41.97 miles. The entire 41.97 miles was constructed under the direction of three of the incorporators, M. C. Hurley, Thomas Roche, and J. J. Roche, in exchange for the capital stock and bonds of the company. On account of insufficient detail in the records reviewed it was not determined by whom the construction work was actually performed. The construction is reported by the Houston & Texas Central as having been completed about December 7, 1886.

HISTORY OF CORPORATE FINANCING

This company issued capital stock and funded debt, as indicated by its records, aggregating $1,009,000, all of which was actually outstanding on the date of sale. Of the total issued, $300,000 represented capital stock and $709,000 funded debt. The $300,000 par value of capital stock was recorded as a charge to the investment in road and equipment account. The $709,000 par value of funded debt consisted of first-mortgage bonds, dated December 1, 1885, to mature December 1, 1925, with interest at 6 per cent per annum. The entire issue was charged to the investment in road and equipment account.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of the Fort Worth and New Orleans Railway Company, are given below.

Income statement.—A condensed summary of the income accounts for the period from December 8, 1886, to the date of sale, follows:

Operating income:	
Railway operating revenues	$1, 923, 139. 09
Railway operating expenses	1, 163, 030. 77
Net revenue from railway operations	760, 108. 32
Railway tax accruals	59, 447. 68
Total operating income	700, 660, 64
Nonoperating income	379, 581. 41
Gross income	1, 080, 242. 05
Deductions from gross income:	
Charges purporting to be for additions and betterments debited to income account	100, 710. 22
Other items	745, 362. 45
Total	846, 072. 67
Net income	234, 169. 38
Disposition of net income:	
Income credit balance transferred to profit and loss	234, 169. 38

Profit and loss statement.—A condensed summary of the profit and loss account for the period from December 8, 1886, to date of sale, follows:

Credits:	
Net credit balance transferred from income	$234, 169. 38
Miscellaneous credits	7, 711. 70
Credit balance on date of sale	241, 881. 08

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Fort Worth and New Orleans Railway Company in road and equipment, including land, on date of sale, was stated in its books as $1,330,286.21, of which the following is a general analysis:

For construction and additions and betterments:		
Recorded money outlay	$278, 746. 21	
Capital stock issued, par value	300, 000. 00	
Funded debt issued, par value	709, 000. 00	
		$1, 287, 746. 21
Other item, not in accord with the present classification of accounts:		
Interest on bonds, one year at 6 per cent		42, 540. 00
Total recorded as of date of sale		1, 330, 286. 21

In addition, the company charged its income account with $100,710.22 purporting to be expenditures for additions and betterments.

INVESTMENTS IN OTHER COMPANIES

The investments of the Fort Worth and New Orleans Railway Company on date of sale are stated in its records as $192,665.36, which represented a net sum due from the Houston & Texas Central for current transactions in open account for the period from April 1, 1893, to the date of sale.

The Austin and Northwestern Railroad Company—Predecessor of the Houston & Texas Central

INTRODUCTORY

The Austin and Northwestern Railroad Company was organized on April 20, 1888, but prior thereto books of account were opened in June, 1885, to W. B. Isham and associates, then owners of the property. These books were continued after the organization of the company and the following data thus embrace both periods. On the date of sale, August 22, 1901, this company owned and operated a single-track, standard-gage, steam railroad, entirely within Texas, extending from Austin, on the line of the Houston & Texas Central, to Llano, a distance of 99.21 miles, and a branch line from Fairland to Marble Falls, a distance of 6.69 miles, a total of 105.90 miles. The records reviewed indicate that the property of this company was operated by its own organization from the dates of acquirement thereof to the date of sale.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

Of the 105.90 miles, 60 miles were acquired by purchase from W. B. Isham and others, and 45.90 miles acquired through construction. The 60 miles had been formerly owned by The Austin and North Western Rail Road Company. Of the

mileage constructed 2.35 miles, from Granite Mountain to Marble Falls were constructed under the charter of the Granite Mountain and Marble Falls City Rail Road Company, and 29.40 miles were constructed by the Pacific Improvement Company, under contract. The latter company also broad-gaged the road between Austin and Marble Falls, a distance of 76.50 miles. The Pacific Improvement Company was paid for its work with capital stock and first-mortgage bonds.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records reviewed do not indicate that any syndicating arrangements were made in connection with the issuance of the securities of The Austin and Northwestern Railroad Company. The company issued its securities and incurred other indebtedness under conditions and for considerations described in detail in the sections of this chapter devoted to capital stock and long-term debt.

Capital stock and long-term debt.—From the date of its incorporation to the date of sale, The Austin and Northwestern Railroad Company issued capital stock and funded debt and incurred other liabilities, as indicated by the records, aggregating $3,441,263.18, of which $3,337,263.18 was actually outstanding on date of sale, as summarized in the following table:

Class	Issued or incurred	Retired	Outstanding
Capital stock	$1, 016, 000. 00		$1, 016, 000. 00
Funded debt	2, 024, 000. 00	$104, 000. 00	1, 920, 000. 00
Nonnegotiable debt to affiliated companies	401, 263. 18		401, 263. 18
Total	3, 441, 263. 18	104, 000. 00	3, 337, 263. 18

Capital stock.—Of the $1,016,000 par value of capital stock, $724,000 was issued to W. B. Isham and associates for the property of The Austin and North Western Rail Road Company, and $292,000 was issued to the Pacific Improvement Company in partial settlement for construction and equipment of road from Fairland to Llano. The entire amount of $1,016,000 was charged to investment in road and equipment.

Funded debt.—The funded debt consisted of $104,000 par value of 6 per cent 10-year first-mortgage bonds, maturing January 1, 1899, and $1,920,000 first-mortgage 5 per cent 30-year gold bonds maturing July 1, 1941. Of the total of $2,024,000 funded debt issued, $104,000 was issued for cash at a discount of $10,400, and $1,920,000 was issued to the Pacific Improvement Company at par for construction. The company reported $104,000 in connection with a part settlement of an open account due from the Pacific Improvement Company. The remaining $1,920,000 was outstanding on the date of sale. The discount of $10,400 was charged to construction.

Nonnegotiable debt to affiliated companies.—The nonnegotiable debt of $401,263.18 was in favor of the Houston & Texas Central and represented a balance in open account which consisted of miscellaneous debits and credits in connection with operations, interest on bonds of this company paid by the Houston & Texas Central, and computed interest on open-account balances.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of The Austin and Northwestern Railroad Company, are as follows:

Income statement.—A condensed summary of the income accounts, from June 4, 1885, to the date of sale, follows:

Operating income:	
Railway operating revenues	$2, 710, 240. 24
Railway operating expenses	1, 940, 321. 22
Net revenue from railway operations	769, 919. 02
Railway tax accruals	79, 438. 90
Total operating income	690, 480. 12
Nonoperating income	112, 015. 49
Gross income	802, 495. 61
Deductions from gross income:	
Expenditures purporting to be for construction, improvements, and equipment	47, 605. 99
Other deductions	922, 630. 77
Total	970, 236. 76
Net deficit	167, 741. 15
Disposition of net deficit:	
Income debit balance transferred to profit and loss	167, 741. 15

Profit and loss statement.—A condensed summary of the profit and loss account for the period from June 4, 1885, to the date of sale, follows:

Credits:	
Miscellaneous credits—	
Balance due the Pacific Improvement Company in open account on June 30, 1893, written off under agreement dated Aug. 10, 1893 (agreement not obtainable)	$93, 725. 36
Other miscellaneous credits	21, 609. 64
Total	115, 335. 00
Debits:	
Net debit balance transferred from income	167, 741. 15
Loss on retired road and equipment	4, 446. 00
Expenditures purporting to be for construction and improvements	32, 173. 10
Other miscellaneous debits	7, 658. 64
Total	212, 019. 01
Debit balance on the date of sale	96, 684. 01

INVESTMENT IN ROAD AND EQUIPMENT

The investment of The Austin and Northwestern Railroad Company in road and equipment, including land, on date of sale, was stated in its books as $3,090,929.13, of which the following is a general analysis:

Road and equipment purchased:		
Recorded purchase price of The Austin and North Western Rail Road Company, acquired from W. B. Isham and associates		$724, 000. 00
For construction:		
Securities issued		912, 000. 00
Capital stock at par	$292, 000. 00	
First-mortgage bonds at par	620, 000. 00	

For additions and betterments:			
Broad-gaged and equipped road between Austin and Marble Falls			$1, 300, 000. 00
First-mortgage bonds at par	$1, 300, 000. 00		
For additions and betterments, entire line:			
Recorded money outlay		204, 129. 08	
Less—			
Cash proceeds from sale of rails	$38, 646. 50		
Road and equipment retired and credited at	72, 858. 50		
		111, 505. 00	
			92, 624. 08
Other items not in accordance with the present classification of accounts:			
Discount on first-mortgage 6 per cent bonds		10, 400. 00	
Interest on note given in payment for rails		703. 31	
Current accounts prior to July 1, 1891		2, 748. 32	
Balance upon account advances "W. B. Isham"		48, 393. 42	
			62, 305. 05
Total recorded as of the date of sale			3, 090, 929. 13

In addition to the outlays stated, the company charged its income and profit and loss accounts with $47,605.99 and $32,173.10, respectively, a total of $79,779.09, purporting to be expenditures for construction, improvements, and equipment.

THE AUSTIN AND NORTH WESTERN RAIL ROAD COMPANY—PREDECESSOR OF THE AUSTIN AND NORTHWESTERN RAILROAD COMPANY

On the date of foreclosure sale, June 3, 1885, this company owned and operated a 3-foot, narrow-gage, steam railroad, extending from Austin to Burnet, Tex., a distance of 60 miles. This property was built sometime in 1881 and 1882. There were no books of account obtainable, with the exception of a journal that was opened as of July 1, 1882, with an entry purporting to represent the expenditures for construction by the "D. I. I. Co.," amounting to the sum of $309,070.77, less liabilities assumed of $108,953.95. The full name of this company was not ascertained, but from the nature of the assets transferred it would appear that the "D. I. I. Co." performed the original construction.

This journal continued until September 30, 1883, and reflects items charged to the investment in road and equipment account, aggregating $1,533,354.34, of which the following is a general analysis:

Outlay and securities for property acquired from contractors, which the records show represented a money outlay of		$309, 070. 77
Capital stock at par	$600, 000	
First-mortgage bonds	420, 000	
		1, 020, 000. 00
Liabilities of contractors assumed, recorded at		108, 953. 95
Recorded money outlay by the company		404, 400. 39
Total		1, 533, 354. 34

GRANITE MOUNTAIN AND MARBLE FALLS CITY RAIL ROAD COMPANY—PREDECESSOR OF THE HOUSTON & TEXAS CENTRAL

This company owned no railroad property. Its proposed line from Granite Mountain to Marble Falls City, Tex., a distance of about 2.35 miles, was constructed, operated, and owned by The Austin and Northwestern Railroad Company. As there were no obtainable records of this company, no information can be given with regard to its financial affairs, corporate operations, or investments

THE HOUSTON RAILWAY COMPANY—PREDECESSOR OF THE HOUSTON & TEXAS CENTRAL

On the date of sale, July 31, 1902, this company owned 3.13 miles of single-track, standard-gage, railroad, connecting with the main line of the Houston & Texas Central at Houston, and extending in a northwesterly direction to the suburban town site of Houston Heights, now a part of the city of Houston. As there were no obtainable records of this company, no information can be given with regard to its financial affairs, corporate operations, or investments.

LANCASTER TAP RAILROAD—PREDECESSOR OF THE HOUSTON & TEXAS CENTRAL

This company was not incorporated, the name of Lancaster Tap Railroad being an appellation given to a line of single-track, standard-gage, steam railroad, extending from Hutchins, Tex., a point on the main line of the Houston & Texas Central, to Lancaster, Tex., a distance of 4.75 miles. The entire 4.75 miles were constructed some time during the years 1889 or 1890 by Charles Dillingham, who at that time was the receiver for the Houston and Texas Central Railway Company (2).

On September 6, 1890, Charles Dillingham conveyed by deed to Edward H. Pardee of Oneonta, N. Y., for a deed consideration of $2,000, rights of way, and construction rights which had been obtained by the former. Pardee retained possession of the property until July 15, 1903, when he disposed of it to George M. Thornton of East Orange, N. J., for a deed consideration of $1 and other valuable consideration, the nature of which was not ascertained from obtainable records. On September 30, 1905, Thornton sold and conveyed the property to the Houston & Texas Central for the sum of $50,000, payable in 10 years.

As there were no obtainable accounting records, no information can be given in connection with the financial affairs, corporate operations, or investments.

HEARNE AND BRAZOS VALLEY RAILWAY COMPANY—PREDECESSOR OF THE HOUSTON TEXAS CENTRAL

INTRODUCTORY

The records of the Hearne and Brazos Valley Railway Company were missing for the period from May 18, 1891, to June 30, 1903. Therefore, only partial information can be given from the accounts in connection with its finances, operations, or investments. On the date of demise, June 30, 1914, the Hearne and Brazos Valley Railway Company was controlled by the Southern Pacific Company, through ownership of the entire outstanding capital stock. On date of demise the company owned and operated a single-track, standard-gage, steam railroad, all in Texas, commencing at Hearne, a point on the main line of the Texas and New Orleans, and extending in a southeasterly direction to Stone City, a distance of 19.47 miles.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The entire 19.47 miles were acquired by construction, but it was not determined by whom the construction work was performed. The Texas & New Orleans's return on corporate history contains the following information:

"Between the date of incorporation and the Spring of 1892 this company built approximately 16.42 miles extending from Valley Junction, Tex., a point on the International & Great Northern Railway Company, south to Stone City, Tex. In 1899 the road was practically all destroyed by flood waters from the Brazos River. In 1900 and 1901 the road was rebuilt over a new location from Glass to Stone City, Tex., a distance of 16.50 miles and extended from Glass to Hearne, Tex., 2.97 miles, making a total of 19.47 miles. At this time that portion of the line between Valley Junction and Glass, 32 miles was abandoned."

HISTORY OF CORPORATE FINANCING

The statement following shows the capital stock and nonnegotiable debt of the Hearne and Brazos Valley Railway Company as recorded on June 30, 1914:

	Actually outstanding
Capital stock	$52, 870. 00
Nonnegotiable debt to affiliated companies	240, 859. 19
Total	293, 729. 19

The annual reports of this company filed with us show that its capital stock was issued for construction; the stated consideration could not, however, be verified from the obtainable accounting records.

The $240,859.19 of nonnegotiable debt was in favor of the Houston Texas Central and was incurred for the following recorded consideration:

Advances for construction	$240, 501. 77
Computed interest on advances	11, 518. 50
Total	252, 020. 27
Less current assets collected by the Houston Texas Central	11, 161. 08
Net total	240, 859. 19

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of the Hearne and Brazos Railway Company, are given below.

Income statements.—A condensed summary of the income accounts for the period from July 1, 1892, to the date of demise, follows:

Operating income:	
Railway operating revenues	$601, 922. 24
Railway operating expenses	487, 996. 03
Net revenue from railway operations	113, 926. 21
Railway tax accruals	18, 625. 03
Total railway operating income	95, 301. 18
Nonoperating income	107. 75
Gross income	95, 408. 93
Deductions from gross income	48, 798. 06
Net income	46, 610. 87
Disposition of net income:	
Dividend appropriations of income	27, 462. 14
Income credit balance transferred to profit and loss	19, 148. 73

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Profit and loss statement.—A condensed summary of the profit and loss account for the period from July 1, 1892, to the date of demise, follows:

Credits:	
Net credit balance transferred from income	$19, 148. 73
Miscellaneous credits (no details available)	10, 969. 79
Total	30, 118. 52
Debits:	
Loss on retired road and equipment	31. 50
Miscellaneous debits—	
Depreciation on equipment to June 30, 1913	10, 095. 00
Other miscellaneous debits	11, 945. 63
Total	22, 072. 13
Credit balance as of date of demise	8, 046. 39

SECTION 9

Valuation Docket No. 842

The Houston East and West Texas Railway Company

Location and general description of property.—The railroad of The Houston East and West Texas Railway Company, herein called the Houston East and West Texas, is a single-track, standard-gage, steam railroad, located in the southeastern part of Texas. The main line extends in a northeasterly direction from Houston to the Texas-Louisiana State line, a distance of 190.606 miles. The Houston East and West Texas also wholly owns 57.816 miles of yard tracks and sidings. Its road thus embraces 248.422 miles of all tracks wholly owned. In addition, it jointly owns and uses with other carriers an undivided interest in 0.293 mile of yard tracks and sidings, classified herein as major joint facilities, as detailed in the summaries by accounts in Appendix 1.

Capital stock and long-term debt.—The Houston East and West Texas had outstanding, on date of valuation, a total par value of $4,963,237.45 in stock and long-term debt, of which $1,920,000 represented common stock, $3,000,000 funded debt, and $43,237.45 nonnegotiable debt to affiliated companies.

Results of corporate operations.—For the period from June 1, 1893, to December 31, 1917, the aggregate railway operating expenses have been 69.7 per cent of the railway operating revenues. During the period of 10 years preceding date of valuation, cash dividends have been declared in 1908, 1910, 1912, 1913, 1916, and 1917, averaging for the entire period 6.7 per cent on the capital stock.

Original cost to date.—The original cost to date of all common-carrier property of the Houston East and West Texas can not be

ascertained, as the necessary records are not obtainable. Such information respecting actual expenditures as can be ascertained is stated in Appendix 2.

Investment in road and equipment.—The investment of the Houston East and West Texas in road and equipment, including land, on date of valuation, is stated in its books as $5,624,335.71. If certain readjustments were made, this amount would be increased to $5,626,052.13, of which $4,980,000, less an undetermined portion thereof assignable to offsetting items included in amounts recorded at $283,845.53, represents considerations other than money, the cash value of which at the time of the transaction we are not able to report, because it has been impossible to obtain the necessary information. There may be included in the amount above stated, some or all of the cost of the noncarrier lands owned. Further information will be found in Appendix 2.

Cost of reproduction new and cost of reproduction less depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land and material and supplies, owned or used by the Houston East and West Texas, including owned portions of joint minor facilities, are shown below.

Classification	Cost of reproduction new	Cost of reproduction less depreciation
Wholly owned and used	$4, 493, 501	$3, 519, 200
Jointly owned and used with other carriers, Houston East and West Texas' portion [1]	1, 773	1, 373
Total owned and used	4, 495, 274	3, 520, 573
Wholly used but not owned, leased from the Southern Pacific Company	674, 027	528, 602
Total owned	4, 495, 274	3, 520, 573
Total used	5, 169, 301	4, 049, 175

[1] For details see summaries by accounts in Appendix 1.

These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are shown in summary sheets in Appendix 1. Information as to the character of the property used but not owned will be found in Appendix 2, under leased railway property.

Cost of lands, rights of way, and terminals at time of dedication to public use, and their present value.—The Houston East and West Texas owns and uses for common-carrier purposes 2,951.90 acres of lands. The total original cost of these lands can not be ascertained, as the necessary records are not obtainable, but data that are obtain-

able on their original cost will be found in Appendix 2. The area and present values of carrier lands owned or used are found to be—

Classification	Acres	Present value
Wholly owned and used	2,951.90	$768,013
Owned but not used, leased to the Houston Belt & Terminal Railway Company	0.02	80
Used but not owned, leased from—		
Houston & Texas Central Railroad Company	0.06	2,000
Private parties	2.00	262
Total	2.06	2,262
Total owned	2,951.92	768,093
Total used	2,953.96	770,275

Rights in public domain.—The Houston East and West Texas owns rights in public domain used for common-carrier purposes, the original cost of which, as supported by accounting records, is $140. Their present value is the same amount.

Rights in private lands.—The Houston East and West Texas owns rights in private lands used for common-carrier purposes, the original cost of which, as supported by accounting records, is $15. Their present value is the same amount.

Property held for purposes other than those of a common carrier.—The Houston East and West Texas owns and holds for noncarrier purposes 0.86 acre of lands. The total original cost of these lands can not be ascertained, as the necessary records are not obtainable, but data that are obtainable on their original cost are stated in Appendix 2. The present value of these lands, including the value of improvements thereon, owned by the Houston East and West Texas, is $12,706.

The Houston East and West Texas owns securities of other companies held for noncarrier purposes. Their par value is $353,325.81 and their book value, stated by the Houston East and West Texas as its investment in securities of other companies, is the same amount. These securities, with their par and book values on date of valuation, are listed in Appendix 2.

The investment of the Houston East and West Texas in miscellaneous physical property is recorded at $384,720.65, detailed in Appendix 2. Of this amount $226,897.99 represents rail and track material leased to various industries and $157,822.66 represents a tram road being constructed by the Sabine Valley Timber and Lumber Company, which is to be taken over by the Houston East and West Texas in complete sections.

Aids, gifts, grants of rights of way, and donations.—Of the carrier lands owned by the Houston East and West Texas and included in the preceding summaries, 1,043.07 acres, with a present value of $208,885, were acquired through aids.

Certain of these lands were reported as aids. Title to the other lands included above was acquired through deeds reciting merely nominal considerations. We are not able to report the value of these lands at the time acquired.

The Houston East and West Texas reports that it received 787,200 acres of land as a grant from the State of Texas under an act of the legislature dated March 11, 1876, all of which were sold for $90,770. In addition to the foregoing, certain lands were received as donations from the State of Texas and individuals, with no costs of acquisition reported. Material of a value of $371.80 was received from the city of Houston, Tex.

The Houston East and West Texas does not report, and the accounts do not separately record, the amount or value of any concession or allowance that may have been made in consideration of any such grants by governmental bodies.

Material and supplies.—The Houston East and West Texas has no material and supplies on hand on date of valuation.

The investment in material and supplies, on date of valuation, as shown in the books of the United States Railroad Administration, covering the operation of the property of the Houston East and West Texas, amounts to $176,145.84.

Final value.—After careful consideration of all facts herein contained, including appreciation, depreciation, going-concern value, working capital, and all other matters which appear to have a bearing upon the values here reported, the values, for rate-making purposes, of the property of the Houston East and West Texas, owned or used, devoted to common-carrier purposes, are found to be as follows:

	Final value
Wholly owned and used	$4,750,000
Owned but not used, leased to—	
Houston Belt & Terminal Railway Company	80
Houston and Shreveport Railroad Company	54,000
Total	54,080
Used but not owned, leased from—	
Southern Pacific Company	550,000
Houston & Texas Central Railroad Company	2,000
Texas and New Orleans Railroad Company	50,000
Morgan's Louisiana and Texas Railroad and Steamship Company	6,000
Private parties	262
Total	608,262
Total owned	4,804,080
Total used	5,358,262

There are included in the above statement the following amounts for working capital.

	Cash	Material and supplies	Total
Owned and used	$100,000	$200,000	$300,000
Owned but not used, used by Houston and Shreveport Railroad Company		54,000	54,000
Used but not owned, owned by—			
Texas and New Orleans Railroad Company		50,000	50,000
Morgan's Louisiana and Texas Railroad and Steamship Company		6,000	6,000

No other values or elements of value to which specific sums can now be ascribed are found to exist.

APPENDIX 1

Houston East and West Texas

Terminals.—The Houston East and West Texas' uses under lease a freight terminal owned by the Texas and New Orleans Railroad Company, and a passenger terminal owned by the Houston & Texas Central Railroad Company, both at Houston. The terms under which these properties are used are shown in Appendix 2, under leased railway property.

Traffic connections.—The Houston East and West Texas has connections with other carriers for interchange of traffic as follows:

Carrier	Connecting points in Texas
All railroads entering city	Houston.
Angelina & Neches River Railroad Company	Prosser.
The Beaumont & Great Northern Railroad Company	Livingston.
Eastern Texas Railroad Company	Lufkin.
Gulf, Colorado and Santa Fe Railway Company	Cleveland and Timpson.
Houston and Shreveport Railroad Company	Sabine River.
Houston, Fostoria & Northern Railway Company	Midline Junction.
The Missouri, Kansas and Texas Railway Company of Texas.	Cleveland and Livingston.
Moscow, Camden and San Augustine Railway Company.	Moscow.
The Nacogdoches & Southeastern Railroad Company.	Nacogdoches.
Peach River Railroad Company	Midline Junction.
St. Louis Southwestern Railway Company	Lufkin.
Texas and New Orleans Railroad Company	Bonita Junction, Dorr Junction, and Nacogdoches.
The Texas & Gulf Railway Company	Tenaha.
Texas South-Eastern Railroad Company	Lufkin.
The Timpson & Henderson Railway Company	Timpson.

Physical conditions affecting construction.—The region traversed is rolling except for the level country from Humble to Houston. The soil is sandy clay. The climate is one of long summers and short winters, with little freezing. The rainfall averages 45 inches per annum, 50 per cent of which occurs during the months December to April.

Economic conditions relating to traffic.—Farming is not highly developed. Cotton and corn are the principal crops. Cattle, sheep, and goats are also raised in this section. The farming generally is in small tracts of cleared land close to the line. The oil wells in the vicinity of Humble are of the most productive in the State. Refineries are located at Houston. These furnish the most important source of freight revenue. Products of the forest are also important.

Physical characteristics of road.—From Houston to the Sabine River the maximum grade westbound is 1.86 per cent; eastbound it is 1.66 per cent. The maximum curvature between the same points is 7°, 30′. Grading is light, averaging about 16,650 cubic yards per mile of road. The heaviest grading occurs between Humble and Dorr Junction. The bridge across the Trinity River is the only one of the four steel bridges on this road having a draw span. Cypress is the principal wood used for ties. About 26 per cent of the ties are treated. Practically all untreated ties are cypress. The number of ties used is about 3,000 per mile. From a point near Houston to Marston and from Bonita Junction to Garrison the main-line rail is 75-pound, laid new. The remainder of the main line and the branches are laid with 80-pound and 75-pound relay, except a few short stretches of 60-pound relay. The road is ballasted principally with gravel, the average haul of which was 121 miles.

Equipment.—The Houston East and West Texas owns and uses the following equipment:

Passenger locomotives	2
Freight locomotives	12
Freight-train cars	222
Passenger-train cars	12
Work equipment	13

In addition to the owned and used equipment, the Houston East and West Texas uses 595 freight-train cars and 3 passenger-train cars owned by the Southern Pacific Company. The terms under which this leased equipment is used will be found in Appendix 2, under leased railway property.

Engineering and general expenditures.—Engineering has been estimated at 4 per cent on road accounts 3 to 47, for the entire road with the exception of the mileage jointly owned with the Angelina & Neches River Railroad Company, where 3 per cent is used. General expenditures, exclusive of interest, have been estimated at 1.5 per cent upon road accounts 1 to 47, exclusive of account 2. Interest during construction has been estimated for one-half the construction period, plus three months, at 6 per cent per annum on all road and general-expenditures accounts, except account 2 and 76. Interest on equipment has been estimated for three months at 6 per cent per annum.

The construction period has been placed at 24 months for the wholly owned and used property, and at six months for that jointly owned and used with other carriers.

SUMMARIES

Wholly owned and used, including company's portion of jointly owned minor facilities

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$143,226	$143,226
3	Grading	613,449	611,450
6	Bridges, trestles, and culverts	547,927	391,979
8	Ties	481,445	264,796
9	Rails	809,436	749,388
10	Other track material	240,859	199,021
11	Ballast	96,846	72,960
12	Tracklaying and surfacing	323,944	254,956
13	Right-of-way fences	86,263	51,641
15	Crossings and signs	23,662	15,527
16	Station and office buildings	134,579	98,137
17	Roadway buildings	70,972	45,767
18	Water stations	31,617	22,678

Wholly owned and used, including company's portion of jointly owned minor facilities—Continued

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD—continued		
19	Fuel stations	$15,601	$12,248
20	Shops and engine houses	32,741	28,150
26	Telegraph and telephone lines	41,079	21,896
27	Signals and interlockers	12,033	9,170
32	Power-distribution systems	200	104
33	Power-line poles and fixtures	50	30
37	Roadway machines	8,777	6,170
38	Roadway small tools	3,667	1,833
44	Shop machinery	5,634	3,455
	Total, 1, and 3 to 47, inclusive	3,723,877	3,004,582
	II. EQUIPMENT		
51	Steam locomotives	158,878	79,064
53	Freight-train cars	184,429	112,374
54	Passenger-train cars	72,218	40,471
57	Work equipment	8,403	4,285
	Total, 51 to 58, inclusive	423,928	236,194
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	55,858	45,245
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	289,838	233,179
	Total, 71 to 77, inclusive	345,696	278,424
	Grand total, 1, and 3 to 77, inclusive	4,493,501	3,519,200

Jointly owned and used with the International and Great Northern Railway Company, one-half each; 0.078 mile of yard tracks and sidings at Houston. Houston East and West Texas' portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$32	$32
3	Grading	45	45
8	Ties	118	59
9	Rails	134	127
10	Other track material	363	323
11	Ballast	35	30
12	Tracklaying and surfacing	107	89
	Total, 1, and 3 to 47, inclusive	834	705
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	13	11
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	26	22
	Total, 71 to 77, inclusive	39	33
	Grand total, 1, and 3 to 77, inclusive	873	738

Jointly owned and used with the Angelina & Neches River Railroad Company, one-half each; 0.215 mile of yard tracks and sidings at Prosser. Houston East and West Texas' portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$25	$25
3	Grading	87	87
8	Ties	208	104
9	Rails	239	200
10	Other track material	148	90
12	Tracklaying and surfacing	129	85
13	Right-of-way fences	10	5
27	Signals and interlockers	15	12
	Total, 1, and 3 to 47, inclusive	861	608
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	13	9
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	26	18
	Total, 71 to 77, inclusive	39	27
	Grand total, 1, and 3 to 77, inclusive	900	635

Used but not owned, leased from the Southern Pacific Company

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	II. EQUIPMENT		
53	Freight-train cars	$626,689	$486,819
54	Passenger-train cars	37,377	34,013
	Total, 51 to 8, inclusive	664,066	520,832
	III. GENERAL EXPENDITURES		
76	Interest during construction	9,961	7,770
	Grand total, 51 to 77, inclusive	674,027	528,602

APPENDIX 2

HOUSTON EAST AND WEST TEXAS

INTRODUCTORY

The Houston East and West Texas is a corporation of the State of Texas, having its principal office at Houston, Tex.

It is controlled by the Southern Pacific Company through ownership of a majority of its outstanding capital stock. On the other hand, the Houston East and West Texas does not control any common-carrier corporation.

From June 1, 1893, when it was released from receivership, until December 31, 1917, the property of the Houston East and West Texas was operated by its own organization. On January 1, 1918, the property of the company devoted to common-carrier purposes was taken over by the United States Railroad Administration and is being so operated on date of valuation.

The records of the predecessor company were found to be incomplete for the period prior to July 8, 1885, and for that reason only partial information can be given from the accounts in connection with the finances, operations, or original cost of the property until acquired by the Houston East and West Texas.

CORPORATE HISTORY

The Houston East and West Texas was incorporated February 28, 1893, under the charter of a predecessor of the same name. This predecessor by special act approved March 11, 1875, of the Legislature of Texas had been incorporated for a period of 50 years from the date of completion of its road. The Houston East and West Texas was incorporated and took over the property of the predecessor company which had been purchased by E. S. Jemison on August 2, 1892, at a foreclosure sale and by him assigned to the Union Trust Company of New York.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The railroad was acquired by purchase from the Union Trust Company, trustee, of New York, on May 8, 1893. The entire road was built by the Houston East and West Texas Railway Company, predecessor of the present company. Work was begun in 1876 and in 1879 the line was in operation as far as Goodrich, about 63 miles. Additional sections of the line were completed and put into operation as follows:

Date of completion	Mileage
Year 1880	24
Year 1881	23
Year 1882	28
Year 1883	16
Year 1884–1885 (completed by receiver)	37
Total	128

When sold the road was 3-foot gage, but was to be changed to standard gage at the expense of the seller, which was done during the year 1894.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records do not disclose that syndicating arrangements were made in connection with the issuance of securities. The properties of the predecessor company, sold under court decree of foreclosure, were purchased from the buyer and paid for in securities. This was done under a reorganization agreement among bondholders, other creditors, and stockholders of the predecessor company.

In 1896 there was a reorganization of the finances of the Houston East and West Texas, without resorting to a receivership and foreclosure sale. Stockholders surrendered 90 per cent of their stock to a committee, and bondholders 45 per cent of their bonds to the same committee, the total par value of the bonds surrendered being equal to that of the stock surrendered. The stock surrendered was distributed to bondholders. Of the surrendered bonds some were canceled and some reissued to obtain funds for improvements.

Capital stock and long-term debt.—From the date of its incorporation, February 28, 1893, to date of valuation, the Houston East and West Texas has issued capital stock and funded debt and incurred nonnegotiable debt to affiliated companies, as indicated by its records, aggregating $5,803,237.45, of which $4,963,237.45 is actually outstanding, as summarized in the following table:

Classification	Originally issued	Retired	Actually outstanding
Capital stock, par value	$1,920,000.00		$1,920,000.00
Funded debt, par value	3,840,000.00	$840,000	3,000,000.00
Nonnegotiable debt to affiliated companies	43,237.45		43,237.45
Total	5,803,237.45	840,000	4,963,237.45

Capital stock.—The authorized capital stock of the predecessor company, under its charter, was $10,000,000 par value, divided into shares of $100 par value each. In the articles of association, signed by Jemison and associates, February 28, 1893, as owners of the charter of the predecessor company, the authorized amount of capital stock was placed at $1,920,000, to remain at that amount until changed as provided by the law and the charter. The authorized amount of $1,920,000 was issued as part payment of the properties of the predecessor company. Of this amount, $1,728,000 was, in 1896, surrendered by the stockholders to a reorganization committee and distributed to the bondholders pro rata.

Funded debt.—The Houston East and West Texas has issued and reacquired bonds for the following considerations:

Par value	Consideration	Recorded value
Issued		
$2,688,000	Partial payment for property of the predecessor	$2,688,000
1,152,000	Changing the road to standard gage and supplying certain standard-gage equipment, charged to additions and betterments	1,152,000
3,840,000	Total issued for consideration of	3,840,000
Reacquired		
$1,728,000	By surrender to reorganization committee, which issued to bondholders a pro rata of the same par value of capital stock surrendered by stockholders	
Reissued		
$588,000	Reissued by reorganization committee for proceeds of $475,930, which, with miscellaneous receipts of $35,337.97, the committee paid for equipment, material, interest, etc., including $49,813.33 for salaries, fees, and miscellaneous expenses of the committee	
300,000	Delivered by reorganization committee to the Houston East and West Texas; later sold for cash proceeds of $301,000, the whole amount being credited to profit and loss	
888,000	Total reissued.	
840,000	Net par value reacquired.	
Retired		
$840,000	Canceled as a part of the reorganization plan and par value credited to investment in road and equipment account	840,000
Outstanding		
$3,000,000	As of date of valuation.	

The Houston East and West Texas had actually outstanding, on date of valuation, $3,000,000 in first-mortgage 5 per cent 40-year gold bonds, dated May 1, 1893, due May 1, 1933.

Nonnegotiable debt to affiliated companies, Houston East and West Texas.—The general balance sheet of the Houston East and West Texas on date of valuation shows nonnegotiable debt due affiliated companies of $43,237.45. The account is a record representing current transactions with the Southern Pacific Company in connection with current operations but not subject to current settlement.

Nonnegotiable debt to affiliated companies, United States Railroad Administration.—On the books of the United States Railroad Administration there is recorded a balance of $146,400.40, due to the Southern Pacific Company in open account on date of valuation, of which the following is a general analysis:

Clearance drafts in settlement of balances due affiliated companies		$122, 998. 50
Bond interest paid		74, 100. 00
Adjustment for leased equipment		1, 916. 03
Proportion of expenses of New York office		900. 00
		199, 914. 53
Less, transfer of cash from assistant treasurer, New York		53, 514. 13
Balance due to Southern Pacific Company on date of valuation		146, 400. 40

Short-term notes.—From the date of organization to November 1, 1898, the Houston East and West Texas had issued short-term notes of $662,519.18 par value, all of which had been retired prior to December 1, 1903. Included in the total was $40,989.50 for note renewals. The considerations recorded as passed in connection with the issuance and retirement of the remaining notes are detailed in the statement following:

Par value	Consideration	Recorded value
Issued		
$317, 293. 21	Issued on account of Jemison to settle purchases by the latter for broad-gaging railroad	
304, 236. 47	Cash	$317, 293. 21
	Equipment	169, 543. 81
	Rail and other material	60, 000. 00
	Interest	36, 929. 50
	Open account settlement	22, 284. 55
	Liabilities of receivers paid	4, 318. 31
		11, 160. 30
621, 529. 68	Total	621, 529. 68
Reacquired and retired		
$339, 153. 76	Canceled and amounts transferred to open account	339, 153. 76
282, 375. 92	Cash	257, 214. 18
	Sale of note receivable	25, 161. 74
621, 529. 68	Total	621, 529. 68

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of the Houston East and West Texas and the United States Railroad Administration, are given separately below.

Income statement of the Houston East and West Texas.—A condensed summary of the income accounts for the year ending December 31, 1917, and for the period, June 1, 1893, to December 31, 1917, follows:

	Year	Period
Operating income:		
Railway operating revenues	$1, 862, 980. 09	$26, 035, 948. 27
Railway operating expenses	1, 102, 912. 83	18, 147, 824. 24
Net revenue from railway operations	760, 067. 26	7, 888, 124. 03
Railway tax accruals	163, 671. 11	932, 357. 06
Uncollectible railway revenues	1, 808. 43	3, 749. 35
Railway operating income	594, 587. 72	6, 952, 017. 62
Total operating income	594, 587. 72	6, 952, 017. 62
Nonoperating income:		
Hire of equipment	37, 400. 13	91, 102. 56
Joint-facility rent income	28, 870. 88	113, 826. 33
Miscellaneous rent income	3, 598. 90	83, 737. 32
Miscellaneous nonoperating physical property	15, 319. 45	80, 991. 76
Income from funded securities	2, 425. 45	2, 425. 45
Income from unfunded securities and accounts	1, 339. 10	139, 778. 00
Miscellaneous income		48, 580. 59
Total nonoperating income	88, 953. 91	560, 442. 01
Gross income	683, 541. 63	7, 512, 459. 63
Deductions from gross income:		
Hire of equipment	69, 195. 43	896, 289. 83
Joint-facility rents	35, 763. 41	155, 309. 62
Miscellaneous rents	31. 00	1, 757. 53
Interest on funded debt	150, 000. 00	3, 629, 857. 60
Interest on unfunded debt	12. 73	64, 218. 06
Miscellaneous income charges		57, 756. 58
Total net deductions from gross income	255, 002. 57	4, 805, 189. 22
Net income	428, 539. 06	2, 707, 270. 41
Income credit balance transferred to profit and loss	428, 539. 06	2, 707, 270. 41

Income statement for the period of Federal operation.—A condensed summary of the income accounts of the Houston East and West Texas and the United States Railroad Administration for the six months from January 1, 1918, to date of valuation, follows:

	Houston East and West Texas	United States Railroad Administration
Operating income:		
Railway operating revenues		$976, 203. 24
Railway operating expenses		725, 521. 99
Net revenue from railway operations		250, 681. 25
Railway tax accruals	$7, 200. 00	39, 828. 97
Uncollectible railway revenues		281. 02
Railway operating income		210, 571. 26
Railway operating deficit	7, 200. 00	
Total operating income		210, 571. 26
Total operating deficit	7, 200. 00	
Nonoperating income:		
Hire of equipment		12, 851. 03
Joint-facility rent income		12, 970. 67
Income from lease of road	189, 513. 06	
Miscellaneous rent income	4, 199. 71	
Miscellaneous nonoperating physical property	339. 61	
Income from funded securities	9, 622. 07	
Income from unfunded securities and accounts	553. 53	375. 21
Total nonoperating income	204, 227. 98	26, 196. 91
Gross income	197, 027. 98	236, 768. 17
Deductions from gross income:		
Hire of equipment		41, 196. 19
Joint-facility rents		19, 670. 84
Miscellaneous rents	(95. 00)	
Interest on funded debt	75, 000. 00	
Amortization of discount on funded debt	12. 24	
Maintenance of investment organization	35. 00	
Total deductions from gross income	74, 952. 24	60, 867. 03
Net income	122, 075. 74	175, 901. 14
Income credit balance transferred to profit and loss	122, 075. 74	

The profit and loss account of the Houston East and West Texas includes delayed income credits and delayed income debits in the respective amounts of $13,214.71 and $185,118.01. Certain credits amounting to $38,514.68 and certain debits amounting to $1,910.15 are other items recorded in profit and loss that would also be included in an income statement for the period. If these amounts, as grouped hereunder, were included in the income statement, the credit balance on date of valuation, transferable to the profit and loss account would be decreased by $135,298.77, or to a credit balance of $2,694,047.38.

	Income credits	Income debits
Operating income:		
Deductible from railway operating revenues		$1,357.11
Addible to railway operating expenses		183,760.90
Deductible from railway operating expenses	$10,266.32	
Nonoperating income:		
Addible to nonoperating income	772.98	
Deductible from nonoperating income		1,910.15
Deductions from gross income:		
Addible to rents paid and balance for hire of equipment	12,441.73	
Deductible from miscellaneous income charges	28,248.36	
Total	51,729.39	187,028.16

Included in miscellaneous income charges is an amount of $54,916.83 purporting to have been expended for improvements. Subsequent credits of $28,248.36 applying against that amount were made to profit and loss account instead of to income account. If adjusted, the amount purporting to have been expended for improvements would be reduced to $26,668.47.

Profit and loss statement of the Houston East and West Texas.—A condensed summary of the profit and loss accounts for the period, June 1, 1893, to date of valuation, follows:

Credits:		
Net credit balance for period ended Dec. 31, 1917, transferred from income	$2,707,270.41	
Net credit balance for period Jan. 1, 1918, to date of valuation, transferred from income	122,075.74	
		$2,829,346.15
Profit on road and equipment sold		940.71
Delayed income credits—		
Miscellaneous rent income	772.98	
Hire of equipment	12,441.73	
		13,214.71
Unrefundable overcharges		5,079.66
Donations		5,811.13
Miscellaneous credits—		
Refund of part of salary paid	$10,000.00	
Refund of part of claim paid	266.32	
Adjustment of miscellaneous charges to income	27,768.36	
	38,034.68	
Amount received by the Houston East and West Texas for 300 of the bonds that had been surrendered to the reorganization committee	$301,000.00	
Proceeds from sales incident to change of gage—		
Rail and other material	$98,840.43	
Equipment	40,888.03	
	139,728.46	
Other miscellaneous credits	46,851.37	
		$525,614.51
Total		3,380,006.87
Debits:		
Divided appropriations of surplus		1,593,600.00
Surplus appropriated for investment in physical property		3,671.18
Loss on retired road and equipment		50,587.65
Delayed income debits—		
Adjustment of operating revenue	$1,357.11	
Adjustment of depreciation and other operating items	183,760.90	
		185,118.01
Miscellaneous debits—		
Refund of excess rental collected	193.16	
Adjustment of depreciation on leased rail	1,100.98	
Adjustment of interest on unfunded debt	616.01	
	1,910.15	
Expenditures for real estate	7,928.31	
Cancellation of balance sheet accounts	37,294.94	
Payment to chairman of reorganization committee	15,000.00	
Cost of engraving stock and bonds, fee for signing bonds, etc	8,336.75	
Payment to M. G. Howe, general manager (no detail)	4,200.00	
Other miscellaneous debits	2,606.29	
		77,276.44
Total		1,910,253.28
Credit balance on date of valuation		1,469,753.59

In addition to the amounts transferable from profit and loss account to income account, certain other items included in the profit and loss account would, under

the present classification of accounts, be transferable, in whole and at least in part, to investment in road and equipment account. These items are the following:

Transferable in whole to the investment in road and equipment account, portion of debit of $7,928.31 for expenditure for real estate		$1,716.42
Transferable at least in part to the investment in road and equipment account:		
Credit for proceeds from sales incident to change of gage	139,728.46	
Portion of debit of $7,928.31 for expenditure for real estate	6,211.89	

From the data of record, the exact credit to be made to investment in road and equipment account can not be ascertained.

There was no profit and loss account on the books of the United States Railroad Administration.

Dividends.—From June 1, 1893, to date of valuation, cash dividends aggregating $1,593,600 have been declared by the Houston East and West Texas, all of which were charged to profit and loss account. The rates per annum were as noted below.

Year ending—	Per cent	Year ending—	Per cent
June 30, 1903	16	June 30, 1913	4
June 30, 1908	30	Dec. 31, 1916	6
June 30, 1910	10	Dec. 31, 1917	6
June 30, 1912	11		

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Houston East and West Texas in road and equipment, including land, on date of valuation is stated in its books as $5,624,335.71, of which the following is a general analysis:

Property acquired by purchase, securities issued at par:			
Capital stock	$1,920,000.00		
First-mortgage bonds	2,688,000.00		
		$4,608,000.00	
Construction and additions and betterments:			
Securities issued at par—			
First-mortgage bonds	1,152,000.00		
Notes	60,000.00		
Recorded money outlay	928,181.24		
		2,140,181.24	
			$6,748,181.24
Less—			
Deduction for bonds of a par value of $840,000 surrendered to reorganization committee and canceled		840,000.00	
Property retired, recorded at—			
Road	81,531.94		
Equipment	202,313.59		
		283,845.53	
			1,123,845.53
Total recorded as of date of valuation			5,624,335.71

Included in the item of $7,928.31 in profit and loss is $1,716.42 representing the cost of lands, which, under the present classification of accounts, would be includible in the investment in road and equipment account. If this item were so transferred, the balance in the investment in road and equipment account would be increased by $1,716.42, or to $5,626,052.13.

The balance in the investment in road and equipment account, so far as it is resolvable into the kinds of considerations, would comprise the following classes of recorded outlay:

Recorded money outlay		$929,897.66
Notes, par value		60,000.00
Capital stock, par value		1,920,000.00
First-mortgage bonds, par value	$3,840,000.00	
Less par value of bonds canceled	840,000.00	
		3,000,000.00
From which should be deducted such portions, not definitely determinable, as represent property retired, credited at		283,845.53

In addition to the outlays mentioned above, the Houston East and West Texas has charged to income and profit and loss accounts a net amount of $26,668.47, purporting to be for improvements to property, and has charged to profit and loss account $6,211.89 for real estate. But since it is not possible, solely from an analysis of the accounts, to determine whether such charges, on the one hand, represent the cost of additional property in existence on date of valuation and, on the other hand, do not represent renewals or replacements in whole or in part, of property retired and not written out of the accounts, these amounts have not been transferred to the investment in road and equipment account. In the profit and loss account there are credit amounts recorded aggregating $139,728.46 as proceeds from sales of equipment, rails, and other material, incident to the change of gage. In the absence of detailed information concerning these transactions it can not be stated what proportion of these credits should have been applied to the investment in road and equipment account.

The above outlays may include some or all of the undetermined portions assignable to noncarrier lands of the cost of lands classified herein as partly carrier and partly noncarrier. The Houston East and West Texas has not charged to its miscellaneous physical property account any amounts that represent the noncarrier lands. The costs of the above lands, so far as they are indicated by records but are not supported in the accounts, are stated in the chapter on original cost to date.

ORIGINAL COST TO DATE

The original cost to date of road and equipment, including land, owned by the Houston East and West Texas and used for common-carrier purposes, has not been definitely ascertained. Incomplete data on the outlay by the predecessor company for property constructed by it show a recorded money outlay by or for that company of $1,375,775.90. The obtainable data found in the investment in road and equipment account of the Houston East and West Texas concerning the outlay for creating such property as was constructed by or for it and for improvements upon all the property of the Houston East and West Texas during its possession thereof are as follows:

Recorded money outlay		$929,897.66
Outlay in securities at par:		
Bonds	$1,152,000	
Notes	60,000	
		1,212,000.00

From which should be deducted such portions, not definitely determinable, as represent property retired credited at	$283, 845. 53

The available data on the outlay for creating and improving the property of the Houston East and West Texas, including the outlay by its predecessor company, are summarized as follows:

Recorded money outlay:		
Predecessor company	$1, 375, 775. 90	
Houston East and West Texas	929, 897. 66	
		2, 305, 673. 56
Outlay in securities of the Houston East and West Texas at par	1, 212, 000. 00	
From which should be deducted such portions, not definitely determinable, as represent—		
Property retirements, credited at	283, 845. 53	
Property sold, proceeds credited to profit and loss	139, 728. 46	

In addition to the outlays mentioned above, the Houston East and West Texas had charged $26,668.47 to income account purporting to be for additions and betterments. But since it is not possible, solely from an analysis of the accounts, to determine whether such charges, on the one hand, represent the cost of additional property in existence on date of valuation and, on the other hand, do not represent renewals or replacements in whole or in part, of property retired and not written out of the accounts, these amounts have not been transferred to the investment in road and equipment account.

The above item of $1,152,000, representing an outlay of par value of bonds given for widening the gage of the road and included in the item of $1,212,000, may include some or all of the expenditures incurred in changing the gage of the road that were other than for additions and betterments to the units of property purchased.

The above outlays may include some or all of the undetermined portions assignable to noncarrier lands of the cost of lands classified herein as partly carrier and partly noncarrier. Neither the Houston East and West Texas nor its predecessor have charged to their miscellaneous physical property accounts any amount that represents these noncarrier lands. The costs of the above lands, so far as they are indicated by records that are not supported in the accounts, are stated in the section of this chapter that is devoted to cost of lands.

Cost of lands.—The Houston East and West Texas reported amounts aggregating $50,910.60 as the outlays by itself and its predecessor in connection with lands and rights owned or used by it, including noncarrier lands, and that the proceeds from the sale of parts of parcels of such land aggregate $2,100. A verification of the amounts indicates that the reported outlays should be reduced by $433.75, as detailed below.

Deductions:

	Amount
Estimated miscellaneous, incidental, and attendant costs	$368. 75
Annual rental for leased lands returned as land costs	65. 00
Total deductions	433. 75

The returns include certain lands donated; certain lands for which nominal deed considerations only are reported; certain streets and highways vacated to the Houston East and West Texas or its predecessor by municipalities without reported considerations; certain lands acquired through exchange of other land; certain lands acquired for considerations other than of a monetary value; certain lands held by adverse possession; certain highways classified by us as land owned for which costs are not ascertainable; certain lands leased for which no costs are reported; and certain rights in private lands for which no costs are reported.

The amounts reported as costs for the remaining lands owned, after making the changes noted above, are made up in part of costs supported by accounting records and in part of substantial considerations named in deeds which the Houston East and West Texas returned as costs but which are not supported by accounting records. These amounts and the proceeds from parts of parcels sold, both classified according to the classification herein of the lands to which they apply, are summarized as follows:

Classification	Costs supported by accounting records	Amounts not supported by accounting records
Lands classified as carrier:		
Owned and used (includes $1,304, not separable as to lands classified as carrier, owned and used, owned jointly and used jointly, and noncarrier)	$5, 055. 88	$41, 941. 97
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of	2, 100. 00	
Jointly owned and used (see remarks under carrier, owned and used).		
Owned, but partly used by other carriers		300. 00
Total	5, 055. 88	42, 241. 97
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of	2, 100. 00	
Lands classified as noncarrier, owned (see remarks under carrier, owned and used).		
Lands classified as partly carrier and partly noncarrier, owned		3, 024. 00
Rights in public domain classified as carrier, owned and used	140. 00	
Rights in private lands classified as carrier, owned and used	15. 00	

Cost of machinery and equipment.—The Houston East and West Texas reported that it owns and uses 263 units of equipment, 55 roadway machines, and certain machinery, with costs aggregating $414,442. A verification of the returns of the Houston East and West Texas indicates that the number of units of equipment should be reduced by 2 and that the costs should be reduced by $17,536, as detailed below.

Description	Units	Amount
Deductions:		
Freight-train cars lost or destroyed	2	$1, 444
Freight-train cars, overstatement of costs (specialties duplicated)		12, 091
Passenger-train cars, overstatement of costs		4, 001
Total deductions	2	17, 536

After making the changes noted above and classifying the returns according to the classification herein of the property to which they apply, the revised returns are summarized as follows:

Classification	Units	Costs supported by accounting records	Amounts estimated by the company or otherwise not supported by accounting records
Machinery:			
Roadway machines	55	$7,598	$1,318
Shop machinery		835	4,072
Total	55	8,433	5,390
Equipment:			
Steam locomotives	14	117,047	17,709
Freight-train cars	222	169,043	8,131
Passenger-train cars	12	58,392	4,464
Work equipment	13		8,297
Total	261	344,482	38,601

In addition, the Houston East and West Texas uses equipment owned by the Southern Pacific Company, the amount stated as costs being taken from returns of the owning company as revised.

Classification	Units	Cost
Freight-train cars	595	$612,942
Passenger-train cars	3	33,791
Total	598	646,733

MISCELLANEOUS PHYSICAL PROPERTY

The balance in the miscellaneous physical property account of the Houston East and West Texas on date of valuation is $384,720.65, consisting of—

Sabine Valley Timber and Lumber Company, tram road constructed by the Sabine Valley Timber and Lumber Company and being purchased by the Houston East and West Texas in complete sections	$157,822.66
Track material leased to various parties	226,897.99

The Sabine Valley Timber and Lumber Company, under contract with the Houston East and West Texas, is to construct not to exceed 24 miles of road for which certain material is to be supplied by the Houston East and West Texas at agreed figures. For each section of 4 miles as completed the Sabine Valley Timber and Lumber Company is to be reimbursed by the Houston East and West Texas at cost, but the road is to be maintained and operated by the Sabine Valley Timber and Lumber Company until July 1, 1930, when it is to be surrendered and is to become the property of the Houston East and West Texas. The Houston East and West Texas' investment in the tram road consists of reimbursements of $108,432.82 to the Sabine Valley Timber and Lumber Company, and $49,389.84 in rail and other material supplied.

The track material leased to various industries consists principally of rail laid on tracks required in lumbering operations.

Certain land reported by the Houston East and West Texas has been classified as devoted to noncarrier purposes. The cost of this land would be includible in this account, but its amount was not separately stated in the records reviewed.

INVESTMENTS IN OTHER COMPANIES

The investments of the Houston East and West Texas in other companies on date of valuation, are stated in its records at a total book value of $353,325.81, detailed as follows:

	Par value	Book value
Affiliated carrier corporations, open account with Southern Pacific Company	$9,548.34	$9,548.34
Total	9,548.34	9,548.34
Other investments:		
Bonds, United States Liberty loan	331,800.00	331,800.00
Notes	6,257.58	6,257.58
Advances to Hospital Association of Southern Pacific Lines	1,868.75	1,868.75
Balance due from employees on Liberty bonds	3,851.14	3,851.14
Total	343,777.47	343,777.47
Grand total	353,325.81	353,325.81

The considerations recorded as passed in acquisition of the above are as follows:

Open account with Southern Pacific Company, interest accrued on balances due in open account		$9,548.34
United States Liberty bonds, credited to Southern Pacific Company in open account		331,800.00
Notes, rail supplies, recorded at		6,257.58
Advances to hospital association, cash		1,868.75
Balance due from employees:		
Liberty bonds purchased	$8,150.00	
Less repayments in cash	4,298.86	
		3,851.14
Investments of the United States Railroad Administration, recorded in open accounts advances as follows:		
Cash to Hospital Association of Southern Pacific Lines		65.00
Liberty loan bonds purchased for employees	26,150.00	
Less cash repayments	5,430.00	
		20,720.00
Total		20,785.00

MATERIAL AND SUPPLIES

The Houston East and West Texas had no balance in its material and supplies account on date of valuation. The balance of material and supplies on hand December 31, 1917, amounting to $186,900.74, was taken over by the United States Railroad Administration.

On date of valuation the recorded balance in the material and supplies account on the books of the United States Railroad Administration was $176,145.84.

LEASED RAILWAY PROPERTY

The Houston East and West Texas used on December 31, 1917, facilities owned by other companies and other companies used facilities owned by it to the extent indicated below. The description of the property, the period and terms of use, and the rentals accrued and charged or credited to income for the year ending on December 31, 1917, are as follows:

	Rentals
Solely owned, but jointly used, used with—	
Texas and New Orleans Railroad Company, tracks, 3.58 miles, and facilities Dorr Junction to Bonita Junction. Rental 2.5 per cent per annum on valuation of $75,000 plus additions and betterments. Maintenance, operation, and taxes on basis of usage	$2,068.49
Gulf, Colorado and Santa Fe Railway Company, tracks, 0.34 mile. Rental $150 per month for average of 4 trains or less per day	1,414.27
Timpson & Henderson Railway Company, depot facilities at Timpson, Tex. Flat charge of $85 per month	79.20
Angelina & Neches River Railroad Company, freight and passenger facilities, including 2.75 miles of track, at Lufkin, Tex. Flat charge of $75 per month	144.00
Livingston Lumber Company, tracks, 53.58 miles, Leggett to Hazel, Tex. Flat rate of 75 cents per train mile	1,473.91
Houston & Texas Central Railroad Company, The Galveston, Harrisburg and San Antonio Railway Company, and The Texas and New Orleans Railroad Company, terminal facilities, including 3 miles of track at Houston, Tex. Operated by the Texas and New Orleans Railroad Company as part of pooled facilities. Rental 5 per cent per annum on a valuation of $439,066, plus additions and betterments. Maintenance, operation, and taxes on usage basis	23,199.61
Texas and Gulf Railway Company, passenger facilities, including 0.48 mile of track, at Tenaha, Tex. Annual charge of $455.40 and 50 per cent of maintenance	455.40
Moscow, Camden & San Augustine Railroad, passenger depot and tracks for interchange of traffic at Moscow, Tex. Flat charge of $10 per month	36.00
Jointly used, but not owned, owned by—	
Houston & Texas Central Railroad Company, 17.78 miles of track (a).	
The Galveston, Harrisburg & San Antonio Railway Company, 26.82 miles of tracks.	
The Texas and New Orleans Railroad Company, 15.96 miles of track (b) and terminal facilities at Houston, Tex., including (a) 1.27 miles of second main track, (b) 2.42 miles of second main track. All facilities pooled and operated by the Texas and New Orleans Railroad Company. Rental based on 5 per cent of agreed valuations. Maintenance, operation, and taxes distributed to users on basis of usage	35,649.01
Gulf, Colorado & Santa Fe Railway Company, passenger depot and water station at Cleveland, Tex. Four per cent of Houston East and West Texas' ticket sales. One and a quarter per cent per annum on a valuation of $4,995.58 for water station	114.40

Track material leased to others.—This consists of rail and other track material recorded as an investment of $226,897.99 under miscellaneous physical property, being material leased to various industrial concerns for the construction of tracks, principally for lumbering activities.

Equipment leased from others.—The Houston East and West Texas used 598 units of equipment leased from the Southern Pacific Company at a monthly rental of one-half of 1 per cent of the cost, plus a monthly depreciation charge of 3 per cent per annum. The classes and costs of this equipment have been given in the section of this report dealing with cost of machinery and equipment.

GENERAL BALANCE SHEET STATEMENTS

The general balance sheet statement of the Houston East and West Texas, as of date of valuation, follows:

ASSETS

Investments:	
Investment in road and equipment	$5,624,335.71
Miscellaneous physical property	384,720.65
Investments in affiliated companies, advances	9,548.34
Other investments—	
Bonds	331,800.00
Notes	6,257.58
Advances	1,868.75
Miscellaneous	3,851.14
Total	6,362,382.17
Current assets:	
Cash	2,291.30
Miscellaneous accounts receivable	2,148.37
Interest and dividends receivable	1,658.97
Rents receivable	189,513.06
Other current assets	10.18
Total	195,621.88
Deferred assets:	
Working-fund advances	262.05
Other deferred assets	420,449.26
Total	420,711.31
Unadjusted debits:	
Rents and insurance premiums paid in advance	627.27
Other unadjusted debits	45,603.28
Total	46,230.55
Grand total	7,024,945.91

LIABILITIES

Stock, capital stock	$1, 920, 000. 00
Total	1, 920, 000. 00
Long-term debt:	
Funded debt unmatured	3, 000, 000. 00
Nonnegotiable debt to affiliated companies, open accounts	43, 237. 45
Total	3, 043, 237. 45
Current liabilities:	
Audited accounts and wages payable	1, 987. 77
Miscellaneous accounts payable	1, 597. 60
Interest matured unpaid	2, 525. 00
Unmatured interest accrued	25, 000. 00
Other current liabilities	30. 68
Total	31, 141. 05
Deferred liabilities, other deferred liabilities	301, 673. 67
Total	301, 673. 67
Unadjusted credits:	
Tax liability	70, 270. 07
Insurance and casualty reserves	22, 006. 07
Accrued depreciation, equipment	165, 992. 87
Other unadjusted credits	*Dr.* *2, 800. 04*
Total	255, 468. 97
Corporate surplus, additions to property through income and surplus	3, 671. 18
Total appropriated surplus	3, 671. 18
Profit and loss, credit balance	1, 469, 753. 59
Total corporate surplus	1, 473, 424. 77
Grand total	7, 024, 945. 91

The general balance sheet statement of the United States Railroad Administration, as of date of valuation, covering operation of the property of the Houston East and West Texas, follows:

ASSETS

Other investments, advances	$20, 785. 00
Total	20, 785. 00

Current assets:	
Cash	$284, 012. 79
Net balance receivable from agents and conductors	14, 304. 33
Miscellaneous accounts receivable	206, 158. 75
Material and supplies	176, 145. 84
Other current assets	304. 50
Total	680, 926. 21
Deferred assets:	
Working-fund advances	74. 35
Other deferred assets	301, 692. 82
Total	301, 767. 17
Unadjusted debits:	
Rents and insurance premiums paid in advance	8. 42
Other unadjusted debits	7, 630. 83
Total	7, 639. 25
Grand total	1, 011, 117. 63

LIABILITIES

Nonnegotiable debt to affiliated companies, open accounts	146, 400. 40
Total	146, 400. 40
Current liabilities:	
Audited accounts and wages payable	136, 701. 94
Miscellaneous accounts payable	74, 386. 65
Other current liabilities	4, 106. 91
Total	215, 195. 50
Deferred liabilities, other deferred liabilities	404, 679. 12
Total	404, 679. 12
Unadjusted credits:	
Tax liability	38, 691. 80
Insurance and casualty reserves	*Dr. 5, 687. 97*
Operating reserves	*Dr. 10, 707. 73*
Accrued depreciation, equipment	5, 599. 95
Other unadjusted credits	41, 045. 32
Total	68, 941. 47
Corporate surplus, profit and loss, credit balance	175, 901. 14
Total corporate surplus	175, 901. 14
Grand total	1, 011, 117. 63

Predecessor Company

HOUSTON EAST AND WEST TEXAS RAILWAY COMPANY—PREDECESSOR OF THE HOUSTON EAST AND WEST TEXAS

INTRODUCTORY

The accounting records of this company are confused and incomplete. Only partial statements of expenditures on property, the results of operations, etc., can therefore be obtained from the accounts. Certain information respecting finances has been taken from the court decrees rendered under foreclosure proceedings.

At date of demise the Houston East and West Texas Railway Company was controlled by the estate of Paul Bremond through ownership of a majority of the capital stock. On the other hand, it controlled no common-carrier corporation.

At the request of the heirs of the estate the property on July 8, 1885, was placed in the hands of a receiver. The Union Trust Company of New York as trustee under two mortgages intervened and the final outcome was a sale of the property under foreclosure proceedings. E. S. Jemison purchased the property August 2, 1892, under an arrangement the ultimate result of which was a transfer of the property to the Houston East and West Texas on May 6, 1893.

The railroad of the Houston East and West Texas Railway Company on date of demise consisted of a narrow-gage road extending from Houston to the Texas-Louisiana State line, approximately 191 miles. The records do not indicate that the property was operated by any but its own organization to the appointment of a receiver on July 8, 1885. It was operated by the receiver until May 31, 1893, when it was turned over to the Houston East and West Texas for operation.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The road owned by the Houston East and West Texas Railway Company on the date of sale had all been acquired by construction. Work was begun at Houston in 1876 and by 1879 the line was in operation as far as Goodrich, about 63 miles. Additional sections of line were completed and put in operation as follows:

In 1880, 24 miles; in 1881, 23 miles; in 1882, 28 miles; in 1883, 16 miles; in 1884 and 1885, completed by the receiver, 37 miles. When sold to the Houston East and West Texas, the road was of 3-foot gage, but was to be changed to standard gage at the expense of the seller.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records do not disclose that syndicating arrangements were made in connection with the issuance of securities.

Capitalization.—In a judgment and decree of the District Court of the State of Texas for the county of Harris, dated November 19, 1889, ordering the sale of the property of the company, the following is stated to be the par value of stock and bonds outstanding:

Capital stock	$100, 800
First-mortgage bonds	1, 344, 000

It is also stated that second-mortgage and land bonds of a par value of $750,000 had been issued as collateral security for notes aggregating, with interest, $391,599.45.

Capital stock.—The authorized capital stock was $10,000,000, divided into shares of $100 each. According to the previously mentioned court decree, $100,000 par value had been issued to Paul Bremond and $800 par value to codirectors. Details of the issuance or of the considerations received were not given in the available book records of the company.

Funded debt.—The books of the Houston East and West Texas Railway Company record the issuance of $831,000 par value of first-mortgage 7 per cent gold bonds, maturing May 1, 1898, for a total consideration of $733,400, consisting of $351,500 cash and a charge of $381,900 to open account. There is no record of the issuance of $513,000 par value, making up the total of $1,344,000 stated in the court decree.

Notes and open accounts.—The records do not permit of an analysis of note issues or of open accounts. The amount of $391,599.45, by the court decree said to have been secured by collateral, is considerably more than the total notes recorded as such on the books.

Increase of stocks and bonds involved in purchase of the Houston East and West Texas Railway Company's property by the Houston East and West Texas.—Par value of securities:

Classification	Houston East and West Texas Railway Company	Houston East and West Texas	Increase
Capital stock	$100, 800	$1, 920, 000	$1, 819, 200
First-mortgage bonds	1, 344, 000	3, 840, 000	2, 496, 000
Second-mortgage and land bonds	750, 000		*750, 000*
	2, 194, 800	5, 760, 000	3, 565, 200

At the sale ordered by the decree of November 19, 1889, E. S. Jemison purchased the railroad property for $1,200,000 and the lands not necessary to or used in operation for $100,000. By agreement with various bondholders and other creditors a new company was to be organized to purchase the property at an agreed price of $1,920,000 par value of capital stock and $3,840,000 par value of bonds. The Union Trust Company was made reorganization agent and to it Jemison assigned his right to receive a deed to the property purchased. The special master commissioner deeded the property to the Union Trust Company, May 6, 1893. The Union Trust Company in turn deeded the property to the Houston East and West Texas for the considerations previously arranged.

RESULTS OF CORPORATE OPERATIONS

The records of the Houston East and West Texas Railway Company applying to the period prior to the date of receivership are not continuous nor are they clear enough in detail for an accurate statement of income from the beginning of operation.

Income statement.—A condensed summary of the income accounts for the receivership period, July 8, 1885, to May 31, 1893, follows:

Operating income:	
Railway operating revenues	$3, 035, 580. 88
Railway operating expenses	2, 280, 522. 78
Net revenue from railway operations	755, 058. 10
Railway tax accruals	97, 285. 48
Railway operating income	657, 772. 62
Total operating income	657, 772. 62
Nonoperating income:	
Miscellaneous rent income	547. 20
Miscellaneous nonoperating physical property	12, 999. 31
Miscellaneous income	5, 324. 51
Total nonoperating income	18, 871. 02
Gross income	676, 643. 64
Deductions from gross income:	
Interest on funded debt	95, 490. 00
Interest on unfunded debt	19, 122. 32
Miscellaneous income charges	7, 147. 17
Total deductions from gross income	121, 759. 49
Net income	554, 884. 15
Income credit balance transferred to profit and loss	554, 884. 15

Profit and loss statement.—A condensed summary of the profit and loss account for the period July 8, 1885, to May 31, 1893, follows:

Credits:	
Net credit balance transferred from income	$554, 884. 15
Miscellaneous credits—	
Proceeds from sales of old material	11, 434. 41
Proceeds from sales of town lots	11, 944. 71
Total	578, 263. 27
Debits, credit balance on May 31, 1893	578, 263. 27

INVESTMENT IN ROAD AND EQUIPMENT

The records of the Houston East and West Texas Railway Company not being continuous, a complete statement of the investment in road and equipment can not be given. A summary of various accounts for different periods shows a recorded money outlay by or for the company of $1,368,628.73. In addition, the receivers expended $7,147.17 for additions and betterments which were charged to income account, Miscellaneous Income Charges.

SECTION 10

Valuation Docket No. 883

Morgan's Louisiana and Texas Railroad and Steamship Company

Location and general description of property.—The railroad of Morgan's Louisiana and Texas Railroad and Steamship Company, hereinafter referred to as Morgan's Louisiana and Texas, is a partly double-track, standard-gage, steam railroad, situated entirely within the State of Louisiana. The main line extends from Algiers, on the Mississippi River opposite New Orleans, to Lafayette, where it connects with the line of the Louisiana Western Railroad Company. It forms an important link in the through route of the Southern Pacific Company between New Orleans, La., and San Francisco, Calif. The principal branch lines extend from Lafayette to the Mississippi River opposite Baton Rouge, from Lafayette to Cheneyville, from Breaux Bridge to Port Barre, from Breaux Bridge to Cade, and from Thibodaux Junction to Napoleonville. There are a number of other branch lines of an average length of about 10 miles, which serve the numerous sugar plantations along parts of the line.

The Morgan's Louisiana and Texas also owns 17.420 miles of roadbed and track structures between David's Junction and Milton, located on right of way owned by The Franklin and Abbeville Railway Company. The latter company leases this property for sole use.

The Morgan's Louisiana and Texas wholly owns and uses 643.118 miles of all tracks, jointly owns and uses 6.360 miles of all tracks, and owns but does not use 21.061 miles of all tracks, which are classified in the trackage table in Appendix 1.

Capital stock and long-term debt.—The Morgan's Louisiana and Texas had outstanding, on date of valuation, a total par value of $16,910,384.35 in capital stock and long-term debt, of which $15,000,000 represented capital stock, $1,494,000 funded debt, and $416,384.35 nonnegotiable debt to affiliated companies. In addition, $4,937,713.92 of funded debt had matured, but had not been paid, being shown on the company's balance sheet as a current liability on date of valuation.

Results of corporate operations.—For the period from April 1, 1878, to December 31, 1917, the aggregate railway operating expenses were 70.2 per cent of the railway operating revenues. During the period of 10 years preceding date of valuation average annual dividends of 2.1 per cent have been declared.

Original cost to date.—The original cost to date of all common-carrier property of Morgan's Louisiana and Texas has not been

ascertained, as the necessary records are not obtainable. The information that is obtainable as to the outlay for creating and improving the property as a whole, with the exception of the outlay in creating certain minor terminal facilities in New Orleans and certain property owned but not used, may be summarized as follows:

Recorded money outlay		$22,294,019.68
Outlay in securities at par:		
Capital stock	$13,875.00	
Funded debt	48,000.00	
		61,875.00
Outlay in State and municipal bonds at an agreed price		49,650.00
From which should be deducted such portions, not definitely determinable, of the foregoing outlays, respectively, as may be represented by property retired and credited at		4,764,860.56

We are not able to report the cash value at the time of the transaction of the outlays other than money, because it has been impossible to obtain the necessary information. There may be included in the outlays stated above some or all of the cost of the noncarrier lands and structures owned. Further information will be found in Appendix 2.

Investment in road and equipment.—The investment of the Morgan's Louisiana and Texas in road and equipment, including land, on date of valuation, is stated in its books as $29,477,865.26. With readjustments required by our accounting examination, this amount would be reduced by an amount not definitely determinable to something less than $23,487,865.26. This adjusted amount would be the result on the one hand, of gross outlays that consist, in part, of considerations other than cash recorded at $10,245,716.08, and, on the other hand, of items deductible from the gross outlay recorded to the extent of $4,435,744.41, but not specifically deductible at the recorded amounts. The cash value at the time of the transactions of the considerations other than cash and of the items deductible from the gross outlays is not known and can not be definitely determined, because it has been impossible to obtain the necessary information. There may be included in the amount stated some or all of the cost of the noncarrier lands and structures owned. Further information will be found in Appendix 2.

Cost of reproduction new, and cost of reproduction less depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land and material and supplies, owned or used by the Morgan's Louisiana and Texas, including owned portions of joint minor facilities, are as shown on opposite page.

Classification	Cost of reproduction new	Cost of reproduction less depreciation
Wholly owned and used	$24,085,772	$18,247,862
Jointly owned and used with other carriers, the Morgan's Louisiana and Texas' portion [1]	36,481	27,258
Total owned and used	24,122,253	18,275,120
Wholly owned but not used, leased to—		
The Franklin and Abbeville Railway Company	185,684	123,157
The Direct Navigation Company	15,538	8,701
Total	201,222	131,858
Wholly used but not owned, leased from—		
Southern Pacific Company	941,901	768,018
City of New Orleans	29,108	29,108
Total	971,009	797,126
Total owned	24,323,475	18,406,978
Total used	25,093,262	19,072,246

[1] For details see summaries by accounts in Appendix 1.

These accounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are shown in summary sheets in Appendix 1. Information as to the character of the property used but not owned will be found in Appendix 2, under leased railway property.

Cost of lands, rights of way, and terminals at time of dedication to public use, and their present value.—The Morgan's Louisiana and Texas owns and uses for common-carrier purposes 5,569.15 acres of lands. The total original cost of these lands can not be ascertained, as the necessary records are not obtainable. Data on their original cost will be found in Appendix 2.

The area and present value of the carrier lands owned or used are as shown below. The Morgan's Louisiana and Texas' portions of jointly owned lands are included in the wholly owned or used lands.

Classification	Acres	Present value
Wholly owned and used	5,569.15	$2,769,057
Owned but not used, leased to Wells Fargo Express Company	.06	1,375
Used but not owned, leased from—		
City of New Orleans	.90	58,500
Private parties	8.18	1,356
Total	9.08	59,856
Total owned	5,569.21	2,770,432
Total used	5,578.23	2,828,913

Property held for purposes other than those of a common carrier.—Morgan's Louisiana and Texas owns and holds for noncarrier purposes 883.60 acres of lands. The total original cost of lands classified as noncarrier can not be ascertained, as the necessary records are not

obtainable, but data that are obtainable on their original cost will be found in Appendix 2. The present value of these lands and improvements thereon, owned by the Morgan's Louisiana and Texas, is $896,780. The present value of noncarrier structures on carrier land is $6,256.

The investment of the Morgan's Louisiana and Texas in miscellaneous physical property, on date of valuation, is stated in its books as $37,256.95; consisting of land, $31,136.48, sawmill, $3,876.96, and rails and fastenings leased to the Rapides Gravel Company, $2,243.51. The portion of the charges included in this account which is applicable to the lands and improvements classified herein as noncarrier can not be stated.

The Morgan's Louisiana and Texas owns securities of other companies, held for noncarrier purposes. Their par value is $5,359,995.-94, and their book value, stated by the Morgan's Louisiana and Texas as its net investment in securities of other companies, is $765,173.12. These securities, with their par and book values on date of valuation, are listed in Appendix 2.

Aids, gifts, grants of rights of way, and donations.—Of the lands owned by the Morgan's Louisiana and Texas and included in the preceding summaries of lands owned, the following were acquired through aids:

Classification	Acres	Present value
Carrier lands, owned and used	2,120.03	$360,356
Noncarrier lands, owned	1.75	875

Certain of these lands were reported as aids. Title to the other lands included above was acquired through deeds reciting merely nominal or no considerations. We are not able to report the value of these lands at the time acquired.

Of the above lands, 123.54 acres, owned and used for common-carrier purposes, with a present value of $2,747.65, were received from the United States Government. The New Orleans, Opelousas and Great Western Railroad Company received in 1856 a land grant aggregating 719.193 acres from the United States Government. Of these lands, 175 acres were sold for the sum of $1,044.75. Expenses incident thereto amounted to $14,653.40, resulting in a net loss of $13,608.65. By an act of Congress, approved July 14, 1870, the unsold part of the grant was declared forfeited to the United States Government. The commission is not able to report the amount or value of any concession or allowance in consideration of any such grants by governmental bodies.

The Morgan's Louisiana and Texas also received from various individuals and corporations the sum of $22,806.40 as bonuses for construction of road. In addition thereto, the Morgan's Louisiana and Texas has credited to its profit and loss account as donations the sum of $8,612.14, applied to aid in the construction of industry tracks and spurs.

Subscriptions for part of the capital stock of The New Orleans, Opelousas and Great Western Railroad Company, a predecessor of the Morgan's Louisiana and Texas, were made by the State of Louisiana and the city of New Orleans. The sale of State bonds and city bonds delivered to this company at par in settlement of the respective subscriptions was an important feature in the financing of the construction of its road.

Material and supplies.—The Morgan's Louisiana and Texas has no material and supplies on hand on date of valuation. The investment in material and supplies, on date of valuation, as shown in the books of the United States Railroad Administration, covering the operation of the property of the Morgan's Louisiana and Texas, amounts to $1,186,881.61.

Final value.—After careful consideration of all facts herein contained, including appreciation, depreciation, going-concern value, working capital, and all other matters which appear to have a bearing upon the values here reported, the values, for rate-making purposes, of the property of the Morgan's Louisiana and Texas, owned or used, devoted to common-carrier purposes, are found to be as follows:

	Final value
Wholly owned and used	$22,610,000
Owned but not used, leased to—	
The Franklin and Abbeville Railway Company	127,000
The Direct Navigation Company	9,400
Wells Fargo Express Company	1,375
Iberia and Vermilion Railroad Company	13,000
Louisiana Western Railroad Company	230,000
Lake Charles & Northern Railroad Company	1,000
Texas and New Orleans Railroad Company	85,000
The Galveston, Harrisburg and San Antonio Railway Company	80,000
Houston & Texas Central Railroad Company	75,000
The Houston East and West Texas Railway Company	6,000
Total	627,775

	Final Value
Used but not owned, leased from—	
Southern Pacific Company	$805, 000
City of New Orleans	88, 000
Texas and New Orleans Railroad Company	110, 000
Private parties	1, 356
Total	1, 004, 356
Total owned	23, 237, 775
Total used	23, 614, 356

There are included in the above statement the following amounts for working capital.

	Cash	Material and supplies	Total
Owned and used	$360, 000	$600, 000	$960, 000
Owned but not used, used by—			
Iberia and Vermilion Railroad Company	5, 000	8, 000	13, 000
Louisiana Western Railroad Company		230, 000	230, 000
Lake Charles & Northern Railroad Company		1, 000	1, 000
Texas and New Orleans Railroad Company		85, 000	85, 000
The Galveston, Harrisburg and San Antonio Railway Company		80, 000	80, 000
Houston & Texas Central Railroad Company		75, 000	75, 000
The Houston East and West Texas Railway Company		6, 000	6, 000
Used but not owned, owned by Texas and New Orleans Railroad Company		110, 000	110, 000

No other values or elements of value to which specific sums can now be ascribed are found to exist.

APPENDIX 1

Morgan's Louisiana and Texas

Track mileage.—The track mileage of Morgan's Louisiana and Texas is classified in the following table:

Classification	First main track	Second main track	Yard tracks and sidings	All tracks
	Miles	*Miles*	*Miles*	*Miles*
Wholly owned and used	385. 637	39. 853	217. 628	643. 118
Wholly owned but not used, leased to The Franklin and Abbeville Railway Company	17. 420		3. 641	21. 061
Total wholly owned	403. 057	39. 853	221. 269	664. 179
Total wholly used	385. 637	39. 853	217. 628	643. 118
Jointly owned and used [1]			6. 360	6. 360
(Company's portion, based on ownership)			3. 180	3. 180

[1] For details see separate summaries by accounts in this appendix.

Terminals owned and leased.—The Morgan's Louisiana and Texas owns its freight terminals at Lafayette, Algiers, New Orleans, and Alexandria, and passenger terminals at Lafayette and Alexandria. At New Orleans it uses the passenger terminal jointly with the Illinois Central Railroad Company, lessee of the owner, the Chicago, St. Louis & New Orleans Railroad Company. It uses the passenger and freight terminals at Baton Rouge jointly with the owner, The Yazoo & Mississippi Valley Railroad Company.

Connections with other roads.—At New Orleans and Alexandria the tracks of Morgan's Louisiana and Texas connect with those of all roads entering those places. In addition, Morgan's Louisiana and Texas had connections with other carriers for interchange of traffic as follows:

Carriers	Connecting points
The Texas and Pacific Railway Company	Avondale, Algiers, Cheneyville, Eola, Gretna, Grosse Tete, Harvey, Napoleonville, and Port Barre.
New Orleans, Texas & Mexico Railway Company	Anchorage and Opelousas.
The Franklin and Abbeville Railway Company	Franklin-Abbeville Junction and Franklin.
New Iberia and Northern Railroad Company	Fourner and New Iberia.
Iberia and Vermilion Railroad Company	Iberia-Vermilion Junction.
New Orleans and Lower Coast Railroad Company	Gretna.
Iberia, St. Mary & Eastern Railroad Company	Jeanerette, Olivier, Patterson, and Shadyside.
Louisiana Western Railroad Company	Lafayette.

Physical conditions affecting construction.—The region traversed by the road of Morgan's Louisiana and Texas is the low swampy plain on the west side of the Mississippi River, contiguous to the Gulf of Mexico. The maximum elevation reached on the road is 70 feet above sea level. The geology of the surface strata and for a depth of several feet is rather uniform, consisting of silt and decayed organic matter common to swamps. The mean annual temperature is 67° F., ranging from an average of 53° in winter to 81° in summer. The mean annual rainfall is 58 inches.

Economic conditions relating to traffic.—The soil of the region served by the road is very fertile, but only a part of it is under cultivation. The principal crops are sugar cane, cotton, rice, and some corn. Sugar refineries and sawmills constitute the most important industries. Morgan's Louisiana and Texas forms an important link in the through route of the Southern Pacific Company between New Orleans, La., and San Francisco, Calif.

Physical characteristics of road.—On the main line extending from Algiers to Lafayette the maximum grade on westbound traffic is 0.71 per cent and on eastbound traffic, 0.85 per cent, and on the main line from Lafayette to Cheneyville, 0.50 per cent and 0.75 per cent, respectively. On the branch lines the maximum grades range from 0.25 per cent to 1.85 per cent on westbound traffic and from 0.28 per cent to 1.02 per cent on eastbound traffic. The maximum curvature on the main line from Algiers to Lafayette is 2° and from Lafayette to Cheneyville 7° 30′. On the branch lines the maximum curvature ranges from 3° to 12°.

The volume of grading on all lines is not large, averaging about 23,500 cubic yards of embankment per mile. There is no classified material and only about 5 per cent of all grading is excavation.

Ties are almost entirely untreated cypress and vary in size from 6 inches by 8 inches by 8 feet to 7 inches by 9 inches by 9 feet. The number of ties per mile is 3,000 in the main line and 2,970 in the branches.

Rail on the main line is 90-pound new rail; on the branch lines the rail ranges from 50 to 90 pound, new and relay, but is principally 75 and 76 pound relay.

Equipment.—The equipment owned or used by Morgan's Louisiana and Texas is summarized as follows:

	Owned and used	Owned but not used	Used but not owned	Total
Steam locomotives	32		14	46
Freight-train cars	2, 387		500	2, 887
Passenger-train cars	66		12	78
Floating equipment	7	1		8
Work equipment	176			176

The equipment shown as owned but not used represents one tugboat used by The Direct Navigation Company. The equipment used but not owned is leased from the Southern Pacific Company.

Engineering and general expenditures.—Engineering has been estimated at 4 per cent on road accounts 3 to 47, except for property located at New Orleans, on which it has been estimated at 5 per cent. General expenditures, exclusive of interest, have been estimated at 1.5 per cent on road accounts 1 to 47, exclusive of account 2. Interest during construction has been estimated for one-half of the construction period, plus three months, at 6 per cent per annum on all road and general-expenditures accounts, except accounts 2 and 76. Interest on equipment has been estimated for three months at the rate of 6 per cent per annum. The principal construction periods placed are as follows:

Property	Months
At New Orleans	18
Algiers to Lafayette, with branches	36
Lafayette to Baton Rouge	34
Cade to Porte Barre	12
Lafayette to Cheneyville	18
Alexandria terminals	6

SUMMARIES

The Morgan's Louisiana and Texas' portions of jointly owned minor facilities are included in the reproduction costs shown below for property wholly owned and used.

Wholly owned and used

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$712,720	$712,720
3	Grading	3,691,233	3,656,022
6	Bridges, trestles, and culverts	2,662,310	2,068,954
8	Ties	1,226,935	674,857
9	Rails	2,090,843	1,822,976
10	Other track material	721,578	475,799
11	Ballast	2,312,129	1,696,641
12	Tracklaying and surfacing	1,111,670	818,452
13	Right-of-way fences	120,262	66,519
15	Crossings and signs	197,106	150,917
16	Station and office buildings	833,149	512,778
17	Roadway buildings	232,124	149,217
18	Water stations	105,223	83,481
19	Fuel stations	148,976	118,795
20	Shops and engine houses	635,422	496,301
22	Storage warehouses	238,812	169,465
23	Wharves and docks	541,963	342,347
26	Telegraph and telephone lines	12,272	8,741
27	Signals and interlockers	126,653	100,585
29	Power-plant buildings	27,238	20,967
31	Power-transmission systems	190	177
32	Power-distribution systems	20,373	17,064
33	Power-line poles and fixtures	622	530
34	Underground conduits	2,476	2,377
35	Miscellaneous structures	29,301	21,985
36	Paving	68,673	51,162
37	Roadway machines	17,449	11,320
38	Roadway small tools	11,578	5,790
44	Shop machinery	353,362	203,960
45	Power-plant machinery	60,446	53,441
	Total, 1, and 3 to 47, inclusive	18,322,088	14,504,340

Wholly owned and used—Continued

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	II. EQUIPMENT		
51	Steam locomotives	$355,090	$175,522
53	Freight-train cars	2,187,376	1,219,231
54	Passenger-train cars	457,086	230,124
56	Floating equipment	448,757	338,903
57	Work equipment	175,415	101,081
58	Miscellaneous equipment	455	412
	Total, 51 to 58, inclusive	3,624,179	2,065,273
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	274,830	217,116
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	1,864,675	1,461,133
	Total, 71 to 77, inclusive	2,139,505	1,678,249
	Grand total, 1, and 3 to 77, inclusive	24,085,772	18,247,862

Jointly owned and used, at Harvey, 2.631 miles of yard tracks and sidings, with The Texas and Pacific Railway Company, one-half each; the Morgan's Louisiana and Texas' portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$560	$560
3	Grading	4,240	4,240
8	Ties	2,651	1,458
9	Rails	4,101	3,439
10	Other track material	1,675	1,009
12	Tracklaying and surfacing	1,316	921
	Total, 1, and 3 to 47, inclusive	14,543	11,627
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law	218	166
74	Stationery and printing		
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	664	505
	Total, 71 to 77, inclusive	882	671
	Grand total, 1, and 3 to 77, inclusive	15,425	12,298

Jointly owned and used, at Segura, 0.170 mile of yard tracks and sidings, with New Iberia and Northern Railroad Company, one-half each; the Morgan's Louisiana and Texas' portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$22	$22
6	Bridges, trestles, and culverts	4	2
8	Ties	133	66
9	Rails	200	134
10	Other track material	105	58
12	Tracklaying and surfacing	100	59
	Total, 1, and 3 to 47, inclusive	564	341
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	9	5
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	12	7
	Total, 71 to 77, inclusive	21	12
	Grand total, 1, and 3 to 77, inclusive	585	353

Jointly owned and used, at Chalmette Yard, 3.559 miles of all yard tracks and sidings, owned jointly with Chicago, St. Louis and New Orleans Railroad Company, one-half each; used jointly with Illinois Central Railroad Company, lessee of that company, the Morgan's Louisiana and Texas' portion

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$753	$753
8	Ties	3,783	2,270
9	Rails	4,443	3,504
10	Other track material	2,001	1,248
11	Ballast	4,428	3,279
12	Tracklaying and surfacing	4,173	2,921
	Total, 1, and 3 to 47, inclusive	19,581	13,975
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	294	209
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	596	423
	Total, 71 to 77, inclusive	890	632
	Grand total, 1, and 3 to 77, inclusive	20,471	14,607

Owned but not used, leased to The Franklin and Abbeville Railway Company

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$6,765	$6,765
3	Grading	23,489	23,489
6	Bridges, trestles, and culverts	13,326	8,764
8	Ties	40,165	16,065
9	Rails	42,598	31,088
10	Other track material	8,634	5,199
12	Tracklaying and surfacing	18,413	10,495
13	Right-of-way fences	4,433	1,906
15	Crossings and signs	1,251	553
16	Station and office buildings	7,675	5,814
17	Roadway buildings	3,957	3,299
18	Water stations	4,401	2,864
19	Fuel stations	240	120
38	Roadway small tools	540	270
	Total, 1, and 3 to 47, inclusive	175,887	116,691
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	3,518	2,322
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	6,279	4,144
	Total, 71 to 77, inclusive	9,797	6,466
	Grand total, 1, and 3 to 77, inclusive	185,684	123,157

Owned but not used, leased to The Direct Navigation Company

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	II. EQUIPMENT		
56	Floating equipment	$15,308	$8,572
	III. GENERAL EXPENDITURES		
76	Interest during construction	230	129
	Grand total, 1, and 3 to 77, inclusive	15,538	8,701

Used but not owned, leased from the Southern Pacific Company

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	II. EQUIPMENT		
51	Steam locomotives	$241,000	$197,520
53	Freight-train cars	539,939	431,574
54	Passenger-train cars	147,042	127,510
	Total, 51 to 58, inclusive	927,981	756,604
	III. GENERAL EXPENDITURES		
76	Interest during construction	13,920	11,414
	Grand total, 1, and 3 to 77, inclusive	941,901	768,018

Used but not owned, leased from the city of New Orleans

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$1,288	$1,288
3	Grading	25,766	25,766
	Total, 1, and 3 to 47, inclusive	27,054	27,054
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	406	406
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	1,648	1,648
	Total, 71 to 77, inclusive	2,054	2,054
	Grand total, 1, and 3 to 77, inclusive	29,108	29,108

APPENDIX 2

Morgan's Lousiana and Texas

INTRODUCTORY

The Morgan's Louisiana and Texas is a corporation of the State of Louisiana having its principal office at New Orleans, La. It is controlled by the Southern Pacific Company through ownership of a majority of the outstanding capital stock.

From April 1, 1878, the date of its first purchase of property, to February 28, 1885, the Morgan's Louisiana and Texas operated its own property. From March 1, 1885, to December 31, 1901, it was operated under lease by the Southern Pacific Company. From January 1, 1902, to December 31, 1917, it was again operated by the company's own organization. On December 31, 1917, the property was taken over for operation by the United States Railroad Administration, and it is so operated on date of valuation.

The records of the Morgan's Louisiana and Texas are incomplete in that only parts of the records covering the period from March 1869, to October, 1870, were obtained.

CORPORATE HISTORY

The Morgan's Louisiana and Texas was incorporated with perpetual rights by special act of the legislature of the State of Louisiana, approved March 8, 1877. Incorporation was for the purpose of acquiring and operating the railroad formerly owned by The New Orleans, Opelousas and Great Western Railroad Company, which was owned and operated at this time by Charles Morgan, the construction and operation of a railroad from Morgan City, a point on the aforementioned road, to the Sabine River, which forms the western boundary of the State of Louisiana, and the construction and operation of a railroad from a point on the main line northwesterly to a connection with the Texas and Pacific Railway Company at a point about 16 miles southeast of Alexandria.

The New Orleans, Opelousas and Great Western Railroad Company was incorporated on a date which has not been ascertained, under the general incorporation law of the State of Louisiana of March 12, 1852. Organization appears

to have been effected in May, 1852. The original charter being unsatisfactory, a new charter was secured by a special act of the legislature of Louisiana, approved April 22, 1853. From May 1, 1862, to January 31, 1866, the property of The New Orleans, Opelousas and Great Western Railroad Company was operated without compensation to it by or for the United States Government. On July 31, 1869, the completed portion of its road, extending from Algiers to Morgan City, a distance of about 80 miles, with its attendant franchises, was sold under foreclosure to Charles Morgan. On April 22, 1870, Charles Morgan acquired the remainder of the property and franchises.

Charles Morgan, as individual owner, operated the property thus acquired and additional property purchased or constructed, until April 1, 1878, at which time he sold it to the Morgan's Louisiana and Texas. The road owned and operated by Charles Morgan was, during the period of Morgan's sole ownership, generally known as Morgan's Louisiana and Texas Railroad.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

Of the road owned by the Morgan's Louisiana and Texas on date of valuation, approximately 95.20 miles were acquired by purchase and 289.77 miles by construction.

The property which was acquired from Charles Morgan on April 1, 1878, had for the most part been constructed by The New Orleans, Opelousas and Great Western Railroad Company. Construction of the main, line, extending from Algiers to Morgan City, was commenced on August 27, 1852. On November 6, 1854, a line extending 52 miles from Algiers was opened for operation. The remaining 28 miles of road to Brashear, now Morgan City, were completed in sections, the last 7 miles being completed on April 12, 1857. The New Orleans, Opelousas and Great Western Railroad Company, at the time its road was taken over by the Federal Government on May 1, 1862, had also completed, as part of ist project to reach the Texas boundary, practically all of the grading on about 80 miles of road extending from Morgan City to a point near Opelousas. The Morgan's Louisiana and Texas Railroad acquired these properties on July 31, 1869, and April 22, 1870, as hereinbefore stated.

On April 18, 1872, the Morgan's Louisiana and Texas Railroad sold to the New Orleans, Mobile and Texas Railroad the aforementioned 80 miles of partially built railroad. The Morgan's Louisiana and Texas Railroad constructed a branch line extending from Shriever to Houma, a distance of about 14.6 miles. Construction was commenced in April, 1871, and completed in January, 1872. The Morgan's Louisiana and Texas Railroad also purchased from the Pontchartrain Rail Road Company on March 11, 1872, about 1.5 miles of track in New Orleans for terminal purposes.

The entire road of The New Orleans, Opelousas and Great Western Railroad Company was built with a gage of 5 feet 6 inches, but in 1872 the Morgan's Louisiana and Texas Railroad changed the gage to standard. During the period from June, 1874, to May, 1875, considerable sums of money were spent in raising the tracks.

The property acquired by the Morgan's Louisiana and Texas from the Morgan's Louisiana and Texas Railroad on April 1, 1878, consisted, therefore, of the main line from Algiers to Morgan City, a distance of about 80.60 miles, and the branch line from Shriever to Houma, a distance of about 14.60 miles, or a total of 95.20 miles of road. The Morgan's Louisiana and Texas also acquired from the trustee of the New Orleans, Mobile and Texas Railroad Company 68 miles of road, lying between Westwego and Bayou Goula. This property was sold on February 15, 1881, to the New Orleans-Pacific Railway Company, now the Texas and Pacific Railway Company.

The Morgan's Louisiana and Texas has acquired 289.77 miles of road by construction, as follows:

Location	Construction commenced	Date opened for operation	Approximate mileage
Main line, Morgan City to Lafayette		May, 1880	63.96
Branch lines:			
Thibodaux Junction to Thibodaux	1879	May, 1879	4.20
Lafayette to Washington		May, 1881	27.90
Washington to Chenesyville	1881	May, 1882	32.23
Cade to St. Martinsville		do	6.40
Raceland Junction to Raceland		do	2.00
New Iberia to Salt Mine		June, 1883	9.86
Baldwin to Cypremort	1883	August, 1884	14.95
St. Martinsville Junction to Arnaudville	1897	May, 1899	21.94
Thibodaux to Napoleonville	February, 1898	April, 1899	17.71
Cypremort to Weeks Island	August, 1902	February, 1903	3.90
Raceland to Lockport	March, 1904	June, 1905	7.73
Arnaudville to Port Barre	March, 1906	February, 1907	12.93
Bayou Sale to South Bend	September, 1906	June, 1909	10.53
Lafayette to near Anchorage	March, 1906	June, 1911	52.30
Alexandria terminals	June, 1882	May, 1883	1.23
Total			289.77

The mileage recorded by the Morgan's Louisiana and Texas as owned and used on date of valuation is 0.667 mile less than that inventoried by us on valuation date, or 385.637 miles.

As hereinbefore stated, the Morgan's Louisiana and Texas also owns 17.420 miles of roadway and track structure located on right of way owned by The Franklin and Abbeville Railway Company.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records of the Morgan's Louisiana and Texas do not indicate that syndicating arrangements were made in connection with the issuance of its securities. Payment for the property purchased from Charles Morgan was made by the issuance of stock and bonds of an agreed amount and the assumption of funded debt. Extensions and improvements were variously financed by sales of bonds and notes and by the use of funds obtained from operations.

From March 1, 1885, to December 31, 1901, the property of the Morgan's Louisiana and Texas and that of other subsidiaries and controlled companies of the Southern Pacific Company were operated by the latter under an omnibus lease. The record of financial transactions during this period appears mainly in the open account with the latter company. Subsequent to the abrogation of the lease, financial transactions were carried out under the general plan of the Southern Pacific Company in its relations with its numerous subsidiaries. The Southern Pacific Company acts as financial agent and banker for each subsidiary and at the same time acts as a clearing-house as between the subsidiaries. On the books of each subsidiary an open account with the Southern Pacific Company is maintained, which reflects the advances received from the Southern Pacific Company for construction purposes, for payment of interest on bonds, for settlement of traffic balances with other subsidiaries, etc., offset by the proceeds of securities, by collections made through the Southern Pacific Company, by monthly remittances of cash, etc. The balances in this account and an account with an affiliated company, amounting to $416,384.35 on date of valuation, are recorded by the Morgan's Louisiana and Texas as nonnegotiable debt to affiliated companies.

Capital stock and long-term debt.—From the date of its incorporation to date of valuation, the Morgan's Louisiana and Texas has issued or assumed capital stock and funded debt, as indicated by its records, aggregating $23,045,716.08, of which $21,431,713.92 is actually outstanding. Nonnegotiable debt to affiliated companies has been incurred and repaid in unknown amounts, the balance owing on date of valuation being $416,384.35. Details are given in the following table:

Class	Issued, assumed, or incurred	Retired	Actually outstanding
Stock, capital stock, par value	$15,000,000.00		$15,000,000.00
Long-term debt:			
Funded debt, par value—			
Unmatured—			
Issued	2,859,000.00	$1,365,000.00	1,494,000.00
Assumed	249,002.16	249,002.16	
Total	3,108,002.16	1,614,002.16	1,494,000.00
Matured, but unpaid—			
Issued	4,935,000.00		4,935,000.00
Assumed	2,713.92		2,713.92
Total	4,937,713.92		4,937,713.92
Total of the above items	23,045,716.08	1,614,002.16	21,431,713.92
Nonnegotiable debt to affiliated companies, incurred	Unknown.	Unknown.	416,384.35
Grand total			21,848,098.27

Capital stock.—Morgan's Louisiana and Texas has issued $15,000,000 par value of capital stock in exchange for the following recorded considerations:

Par value	Consideration	Recorded value
$6,000	Qualifying shares for directors, credited to open accounts at par	$6,000
4,994,000	Issued to Charles Morgan at par, together with bonds, for property, as detailed hereinafter, the value of the consideration received for the stock not being separable	
10,000,000	Issued pro rata to holders of stock as of Oct. 29, 1891:	
	To the Southern Pacific Company	9,988,000
	As attaching to directors' shares	10,000
	To Morgan's Louisiana and Texas and later sold at par to Southern Pacific Company	2,000
15,000,000	Total par value issued.	

In the resolution of the directors that led to the authorization of the increased capital stock issue of $10,000,000 and its pro rata distribution to the stockholders as of that date, it is stated:

That the original capitalization appeared to represent only a part of the properties acquired or of the original cost of such properties;

That subsequent to the issuance of capital stock to Charles Morgan large amounts of the earnings of the corporation had been applied to the improvement and betterment of the property;

That for these reasons, and also because of the increased value of properties of the corporation, the capitalization of the carrier fell far short of representing either the values or the costs of the property.

Funded debt.—The Morgan's Louisiana and Texas has issued or assumed and reacquired funded debt in exchange for the following recorded considerations:

Par value	Consideration	Recorded value
Issued or assumed		
$1,494,000.00	Cash (premium $11,975.02)	$1,505,975.02
300,000.00	Property purchased	300,000.00
251,716.08	Funded debt, $371,000 par value, of The New Orleans, Opelousas and Great Western Railroad Company assumed at $678.48 per $1,000 par value, as part payment for property acquired from Charles Morgan, consideration received not separable from that received for stocks and bonds issued	
1,000,000.00	Charged against the Southern Pacific Company in open account	1,000,000.00
5,000,000.00	Issued to Charles Morgan at par, together with stock, for property, as detailed hereinafter, the value of the consideration received for the funded debt not being separable	
8,045,716.08	Total par value issued or assumed	
Reacquired and retired		
$115,000.00	Cash (excess over par, $12,242.50)	127,242.50
250,000.00	Property previously purchased and later sold	250,000.00
1,249,002.16	Credited by the Morgan's Louisiana and Texas to open account in favor of the Southern Pacific Company	1,249,002.16
1,614,002.16	Total par value retired	1,626,244.66
Outstanding		
$6,431,713.92		

The premium on issuance of funded debt, $11,975.02, was credited to income account.

The difference of $12,242.50 between the reacquisition cost and the par value of the funded debt reacquired and retired was charged to profit and loss.

The funded debt actually outstanding on date of valuation consists of the following:

First-mortgage 8 per cent bonds of The New Orleans, Opelousas and Great Western Railroad Company assumed, maturing Apr. 1, 1889, extended 10 years	$2,713.92
First-mortgage 7 per cent main-line bonds, maturing Apr. 1, 1918, extended, subject to call from Southern Pacific Company, by whom owned	4,935,000.00
First-mortgage 6 per cent Alexandria division bonds, maturing July 1, 1920	1,494,000.00
Total	6,431,713.92

Of the funded debt outstanding, $4,937,713.92 par value, matured and unpaid, is recorded as a current liability.

Nonnegotiable debt to affiliated companies.—The Morgan's Louisiana and Texas records as nonnegotiable debt to affiliated companies on date of valuation amounts due the Southern Pacific Company in open accounts, $396,026.77, and amounts due the Iberia and Vermilion Railroad Company in open accounts, $20,357.58, total $416,384.35. Each of these accounts consists of a long series of varied current transactions. For this reason no summaries have been made of their content.

Short-term notes.—Morgan's Louisiana and Texas issued and retired $5,149,589.20 of short-term notes between July 1, 1878, and November 30, 1914, for the following recorded considerations:

Issued at par for—	
Cash	$2,376,631.67
Payment of interest	1,500.00
Operating expenses	36,038.87
Settlement of account with the Southern Pacific Company to July 1, 1913	2,735,418.66
Total	5,149,589.20
Retired at par with—	
Cash	2,414,170.54
Credit to open account with the Southern Pacific Company, November, 1914	2,735,418.66
Total	5,149,589.20

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of the Morgan's Louisiana and Texas and the United States Railroad Administration, are given below. The property of the Morgan's Louisiana and Texas was operated under lease by the Southern Pacific Company from March 1, 1885, to December 31, 1901. Since January 1, 1918, the property has been operated by the United States Railroad Administration.

Income statement of the Morgan's Louisiana and Texas.—A condensed summary of the income accounts for the year ended December 31, 1917, and for the period from April 1, 1878, to date of valuation, follows:

	Year	Period
Operating income:		
Railway operating revenues	$6,910,458.91	$104,901,078.74
Railway operating expenses	3,902,010.40	72,348,789.41
Net revenue from railway operations	3,008,448.51	32,552,289.28
Railway tax accruals	601,607.23	3,984,351.94
Uncollectible railway revenues	3,878.94	12,994.18
Total operating income	2,402,962.34	28,554,943.16
Nonoperating income:		
Hire of equipment	217,789.74	995,991.74
Joint-facility rent income	17,652.93	229,342.68
Income from lease of road (to Southern Pacific Company)		8,744,825.27
Income from lease of road (to United States Railroad Administration)		602,235.17
Miscellaneous rent income	40,690.85	230,090.96
Miscellaneous nonoperating physical property	7,464.88	38,423.88
Dividend income	416.88	291,479.50
Income from funded securities	23,254.49	975,410.31
Income from unfunded securities and accounts	13,889.80	2,612,558.49
Release of premiums on funded debt		11,975.02
Miscellaneous income	318.96	62,657.43
Total	321,478.15	14,794,990.45
Gross income	2,724,440.49	43,349,933.61
Deductions from gross income:		
Hire of equipment	152,029.53	1,190,689.48
Joint-facility rents	61,603.48	479,988.42
Miscellaneous rents	10,966.51	42,725.05
Miscellaneous tax accruals		10,483.69
Interest on funded debt	509,825.33	10,854,330.65
Interest on unfunded debt	468.29	484,370.99
Miscellaneous income charges		[1] 341,464.84
Total	734,893.14	13,404,053.12
Net income	1,989,547.35	29,945,880.49
Disposition of net income, dividend appropriations of income		2,400,000.00
Income balance transferred to credit of profit and loss	1,989,547.35	27,545,880.49

[1] Represents $317,306.83, amounts credited to investment in road and equipment and transferred to income, and other miscellaneous income items, $24,158.01.

Included in the profit and loss account of the Morgan's Louisiana and Texas are delayed income credits and debits in the amounts of $161,615.31 and $1,432,117.53, respectively, and other credits and debits, in the amount of $227,443.78 and $247,443.85, respectively, which are includible in an income statement for the period. If these items, detailed hereinafter, were included in the income account, the credit balance of that account would be decreased by $1,290,502.29, or to $26,255,378.20.

Transferable to—	Credits	Debits
Operating income:		
Addible to railway operating revenues	$147,047.98	
Deductible from railway operating revenues		$15,504.03
Addible to railway operating expenses		1,631,397.46
Deductible from railway operating expenses	206,189.66	
Addible to railway tax accruals		1,077.95
Deductible from railway tax accruals	1,638.70	
Nonoperating income:		
Addible to nonoperating income	34,182.75	
Deductible from nonoperating income		2,417.81
Deductions from gross income:		
Addible to rents paid and balance for hire of equipment		7,506.00
Addible to deductions from gross income, other than rents paid and balance for hire of equipment		21,658.13
Total	389,059.09	1,679,561.38

Profit and loss statement of the Morgan's Louisiana and Texas.—A condensed summary of the profit and loss accounts for the period from April 1, 1878, to date of valuation follows:

Credits:		
Net credit balance transferred from income		$27,545,880.49
Profit on road and equipment sold		438,793.16
Delayed income credits		161,615.31
Unrefundable overcharges		15,388.43
Donations		8,612.14
Miscellaneous credits—		
Par value of bonds of the Buffalo Bayou Ship Channel Company acquired with property purchased from Charles Morgan	$199,000.00	
Excess of book value of current assets over book value of current liabilities taken over from books of Charles Morgan in connection with the purchase of property of the latter	448,567.19	
Other	962,442.06	
		1,610,009.25
Total		29,780,298.78

Debits:		
Dividend appropriation of surplus		$11,700,000.00
Surplus appropriated for investment in physical property		6,876.50
Loss on retired road and equipment		1,515,566.40
Delayed income debits		1,432,117.53
Miscellaneous debits—		
Portion of capital stock issued to stockholders for which no considerations were recorded	$4,000,000.00	
Loss on securities reacquired and retired	12,242.50	
Other	3,016,062.83	
		7,028,305.33
Total		21,682,865.76
Credit balance as of date of valuation		8,097,433.02

In connection with the acquisition of the property of the Morgan's Louisiana and Texas Railroad, the Morgan's Louisiana and Texas credited profit and loss account with $448,567.19, recorded as the excess of the book value of current assets over the recorded amount of current liabilities on the books of the Morgan's Louisiana and Texas Railroad. Whatever credit properly attached to the difference between the assets obtained and the liabilities assumed in this connection should have been credited to the investment in road and equipment account. The profit and loss account is also credited with $199,000, the par value of bonds of the Buffalo Bayou Ship Channel Company, which were also included with the property purchased from the Morgan's Louisiana and Texas Railroad. The reason for this credit to profit and loss is not clear.

Income statement of the United States Railroad Administration.—A condensed summary of the income accounts for the period from January 1, 1918, to date of valuation follows:

Operating income:	
Railway operating revenues	$3,796,253.40
Railway operating expenses	2,438,131.72
Net revenue from railway operations	1,358,121.68
Railway tax accruals	161,563.91
Uncollectible railway revenues	1,689.05
Railway operating income	1,194,868.72
Nonoperating income:	
Hire of equipment	70,767.45
Joint-facility rent income	9,704.14
Dividend income	4,504.12
Income from funded securities	1,290.98
Total	86,266.69
Gross income	1,281,135.41

Deductions from gross income:	
Hire of equipment	$93, 546. 04
Joint-facility rents	26, 765. 65
Miscellaneous rents	9, 500. 00
Interest on unfunded debt	37. 20
Total	129, 848. 89
Net income	1, 151, 286. 52
Disposition of net income, income credit balance transferred to profit and loss	1, 151, 286. 52

Profit and loss statement of the United States Railroad Administration.—The credit balance in the profit and loss accounts of the United States Railroad Administration on date of valuation is $1,151,286.52, representing the credit balance transferred from income.

Dividends.—The Morgan's Louisiana and Texas has declared dividends aggregating $14,100,000 during the period from April 1, 1878, to date of valuation, of which $2,400,000 were charged to income account and $11,700,000 to profit and loss account. These dividends were all payable in cash. The dividends declared have been at the rates per annum noted below. The amount of stock was increased from $5,000,000 to $15,000,000 in November, 1891.

Year ended	Per cent	Year ended	Per cent
1885	16	1908	25
1888	20	1909	4
1898	10	1910	5
1905	10	1911	6
1906	6	1912	4
1907	10	1916	2

In November, 1891, Morgan's Louisiana and Texas issued pro rata to stockholders of record as of October 29, 1891, $10,000,000 par value of capital stock, as hereinbefore stated. No part of this issue was treated by the Morgan's Louisiana and Texas as a declared dividend. Of the recorded liability of $10,000,000, $6,000,000 was charged to investment in road and equipment and $4,000,000 to profit and loss.

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Morgan's Louisiana and Texas in road and equipment, including land, on date of valuation, is stated in its books as $29,477,865.26, of which the following is a general analysis:

Property acquired by purchase from the Morgan's Louisiana and Texas Railroad:			
Securities issued at par—			
Capital stock	$4, 994, 000. 00		
First-mortgage bonds	5, 000, 000. 00		
		$9, 994, 000. 00	
Unpaid portion of bonds of The New Orleans, Opelousas and Great Western Railroad Company assumed by the Morgan's Louisiana and Texas Railroad, assumed by the Morgan's Louisiana and Texas at $678.48 per $1,000 par value of $371,000 par value of such bonds outstanding		251, 716. 08	
			$10, 245, 716. 08

Construction and additions and betterments, recorded money outlay			$18, 229, 395. 33
Total			28, 475, 111. 41
Less—			
Deductions from recorded money outlay—			
Additions and betterments charges transferred—			
To operating expenses in 1882 and 1883	$94, 415. 95		
To income in 1879, 1882 and 1883	317, 306. 83		
To operating expenses in 1905 and 1907	108, 642. 48		
Property transferred to miscellaneous physical property account	31, 136. 48		
		$551, 501. 74	
Retirements—			
Road, recorded at	264, 373. 13		
Rolling stock, recorded at	1, 339, 410. 25		
Floating equipment	2, 831, 961. 03		
		4, 435, 744. 41	
			4, 987, 246. 15
Total of the above items			23, 487, 865. 26
Other items, not in accordance with the present classification of accounts, net debits:			
Debits, part of $10,000,000 of capital stock issued pro rata to stockholders in accordance with a resolution of the directors, wherein it is stated that the capitalization did not represent the full value of the property		$6, 000, 000. 00	
Credits, donations of cash credited at		10, 000. 00	
			5, 990, 000. 00
Total recorded as of date of valuation			29, 477, 865. 26

The Morgan's Louisiana and Texas did not include in its investment in road and equipment account certain charges and credits incident to the purchase of a completed road in 1879 and its subsequent sale at a profit in 1881. This property, known as the Donaldsonville branch, was purchased for $10,000 in cash and $300,000 par value of a special issue of bonds. It was sold for $496,199.46 in cash and the surrender of $250,000 par value of the bonds, $50,000 of which having previously been retired by the Morgan's Louisiana and Texas at par. The recorded outlay of $310,000 in the acquisition of the property was offset in the investment in road and equipment account by the same amount from the proceeds of sale and the difference was credited to profit and loss.

In return for the securities issued and assumed, of which the total par value of the former and the agreed value of the latter were charged to the investment in road and equipment account, the Morgan's Louisiana and Texas received, not only railroad property and floating equipment, but also certain securities of other companies and current assets, but no separation was made on the books of the company of the consideration given to Charles Morgan between the carrier and the noncarrier property acquired from him.

If the other items shown above were eliminated from the investment in road and equipment account and if proper further deductions, undeterminable in exact amount, were made for the noncarrier property received from Charles Morgan, the balance in that account would be decreased by something more than $5,990,000, or to something less than $23,487,865.26.

With respect to the further indeterminable deduction for noncarrier property received from Charles Morgan, while the Morgan's Louisiana and Texas did not record such property in its assets separately from the common-carrier property acquired, in the deeds from Charles Morgan appears a detailed list of the properties transferred, with value assigned "for the purpose of the agreement." These values aggregate the same amount as the par value of the securities issued by the Morgan's Louisiana and Texas. A summary of the classes of property and the respective values assigned follows:

Completed railroad in full operation, 80.60 miles, Algiers to Morgan City	$4, 256, 000
Branch line, Schriever to Houma, 14.60 miles	150, 000
Tracks, etc., in city of New Orleans	250, 000
Steamships, tugboats, and ferryboats	2, 120, 000
Various pieces of real estate	170, 000
Stocks and bonds of various companies	2, 556, 520
Claims against the United States Government	19, 000
Value of current assets in excess of current liabilities assumed	[1] 472, 480
Total assigned values	9, 994, 000

This adjusted amount would be the result on the one hand of gross outlays that consist, in part, of considerations other than cash recorded at $10,245,716.08, and, on the other hand, of items deductible from the gross outlay recorded to the extent of $4,435,744.41, but not specifically deductible at the recorded amounts. The cash value at the time of the transactions of the considerations other than cash and of the items deductible from the gross outlays is not known and can not be definitely determined.

The balance in the investment in road and equipment account, if adjusted to the above extent, so far as it is resolvable into the kinds of considerations, would comprise the following classes of recorded outlay:

Recorded money outlay		$17, 677, 893. 59
Outlay in securities at par:		
Capital stock	$4, 994, 000	
First-mortgage bonds	5, 000, 000	
		9, 994, 000. 00
Funded debt assumed at an agreed value		251, 716. 08
From which should be deducted such portions, not definitely determinable, as represent—		
Property retired, credited at		4, 435, 744. 41
Noncarrier property acquired from Charles Morgan		

[1] The difference between current assets and current liabilities, as recorded by the Morgan's Louisiana and Texas, was $448,567.19.

The above outlays may include some or all of the undetermined cost to the Morgan's Louisiana and Texas of certain lands classified herein as noncarrier lands and noncarrier structures on carrier lands, and some or all of the undetermined portions, assignable to noncarrier lands, of the cost to the Morgan's Louisiana and Texas of lands classified herein as partly carrier and partly noncarrier. On the other hand, the miscellaneous physical property account may contain some of the undetermined cost of lands classified herein as carrier lands since charges aggregating $31,136.48 have been recorded therein for lands acquired. The cost of the above lands, so far as they are indicated by the accounting records, together with certain amounts reported by the Morgan's Louisiana and Texas as costs of such lands, but which are not supported in the accounts, are stated in the chapter on original cost to date.

In addition, the Morgan's Louisiana and Texas owns 17.420 miles of roadway and track structure, located on the right of way of The Franklin and Abbeville Railway Company, which it records at a book value of $155,183.08 and carries as advances to the latter company.

ORIGINAL COST TO DATE

The original cost to date of road and equipment, including land, owned by the Morgan's Louisiana and Texas and used for common-carrier purposes has not been definitely ascertained. For the terminal facilities in New Orleans, which were purchased from the Pontchartrain Rail Road Company by Charles Morgan for $250,000 in cash, no accounting or construction records of the outlays for original construction have been found.

For creating and improving the remaining property, including land and equipment, acquired from its predecessors or constructed by the Morgan's Louisiana and Texas and for additions and betterments by the latter to the entire property, the data obtained are as follows:

Morgan's Louisiana and Texas:	
Recorded money outlay	$17, 677, 893. 59
From which should be deducted such portion, not definitely determinable, as represents retirements, credited at	2, 585, 104. 00
The New Orleans, Opelousas and Great Western Railroad Company:	
Recorded money outlay	3, 332, 072. 44
Capital stock issued, par value	13, 875. 00
Funded debt issued, par value	48, 000. 00
Outlay in State and municipal bonds	49, 650. 00
Revenues and operating expenses during construction, net charges	186, 859. 56
From which should be deducted such portion, not definitely determinable, as represents retirements, credited at	298, 116. 15
Morgan's Louisiana and Texas Railroad:	
Recorded money outlay	1, 284, 053. 55
From which should be deducted such portion, not definitely determinable, as represents equipment sold for proceeds of	31, 000. 00

The several classes of outlay by the various companies above detailed are summarized by classes as follows:

Recorded money outlay	$22, 294, 019. 58
Outlay in securities at par value	61, 875. 00

Outlay in securities at an agreed price	$49, 650. 00
From which should be deducted such portions, not definitely determinable, as represent property retired, credited at	2, 914, 220. 15

The above outlays may include some or all of the undetermined cost to the carrier first acquiring them of certain lands classified herein as noncarrier lands, and noncarrier structures on carrier lands, and some or all of the undetermined portions, assignable to noncarrier lands of the cost of lands classified herein as partly carrier and partly noncarrier. On the other hand, the miscellaneous physical property accounts of the Morgan's Louisiana and Texas and its predecessors may contain some of the undetermined cost of lands classified herein as carrier lands, since charges have been recorded therein for lands acquired. The cost of the above lands, so far as they are indicated in the accounting records, together with certain amounts reported by the Morgan's Lousianana and Texas as costs of such lands, but which are not supported in the accounts, are stated in the section of this chapter devoted to cost of lands.

The Morgan's Louisiana and Texas has transferred from the investment in road and equipment account $203,058.43 to operating expenses and $317,306.83 to the income account. These amounts purport to be expenditures for additions and betterments, but in the absence of full information as to why they were not treated as charges to the investment in road and equipment account they have not been included in the above summary.

In addition, the Morgan's Louisiana and Texas carries in its investments in other companies account the book value, $155,183.08, of the 17.42 miles of roadway and track structures which are located on the right of way of The Franklin and Abbeville Railway Company.

Cost of lands.—Morgan's Louisiana and Texas reports amounts aggregating $1,359,076.88 as the outlays by itself and its predecessors in connection with lands and rights owned or used by it, including noncarrier lands, and that the proceeds from the sale of parts of parcels of such lands aggregate $6,268.48. A verification of the amounts indicates that the reported outlays should be increased by $32,826.52, as detailed below:

Additions, understatement of costs	$45, 723. 50
Deductions:	
Payments for rental returned as costs	10, 005. 00
Recording costs estimated	1, 132. 60
Costs returned for lands donated	1, 759. 38
Total	12, 896. 98
Net total additions	32, 826. 52

The returns include certain lands which were donated; certain lands for which nominal or no considerations, or considerations other than of a monetary value, are recited in deeds or other instruments of title; certain streets and highways vacated to it or its predecessors by municipalities without reported considerations; certain lands held by adverse possession; certain lands acquired through exchange of other lands; certain lands acquired by condemnation for which costs are not ascertainable; and certain lands and rights for which no costs are reported.

The amounts reported as costs for the remaining lands owned, after making the changes noted above, are made up in part of costs supported by accounting records and in part of substantial considerations named in deeds and condemnation awards, which the Morgan's Louisiana and Texas returned as costs but which are not supported by accounting records. These amounts and the proceeds from parts of parcels sold, both classified according to the classification herein of the lands to which they apply, are summarized as follows:

Classification	Costs supported by accounting records	Amounts not supported by accounting records
Lands classified as carrier:		
Owned and used (includes $53,100 supported costs and $164,000 unsupported costs not separable as to lands classified as carrier, noncarrier, and partly carrier and partly noncarrier)	$140, 638. 88	$814, 173. 27
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of (includes $4,390 not separable as to lands classified as carrier, noncarrier, and partly carrier and partly noncarrier)		6, 268. 48
Owned but partly used by the Wells Fargo Express Company		1, 200. 00
Jointly owned and used (includes $50,000 not separable as to lands classified as carrier, owned jointly and used jointly, and noncarrier)		51, 800. 00
Used but not owned, leased from private parties		35, 981. 25
Total	140, 638. 88	903, 154. 52
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of		6, 268. 48
Lands classified as noncarrier:		
Owned (see remarks under carrier lands, owned and used, and owned jointly and used jointly)		175, 495. 00
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of (see remarks under carrier lands, owned and used)		
Lands classified as partly carrier and partly noncarrier:		
Owned and partly used (see remarks under carrier land, owned and used)		172, 615. 00
From which should be deducted the portions, not definitely determinable, that are assignable to parts of parcels sold for proceeds of (see remarks under carrier lands, owned and used)		

Cost of machinery and equipment.—The Morgan's Louisiana and Texas reports that it owns 2,683 units of equipment and certain machinery, with costs aggregating $4,195,938. A verification of the returns indicates that the number of units of equipment should be reduced by 11 and that the costs should be reduced by $29,128, as detailed below:

Description	Units	Amount
Deductions:		
Steam locomotives in scrap condition	3	$18, 214
Freight-train cars destroyed or lost	6	4, 794
Work equipment destroyed	1	648
Work equipment transferred to Account 19, fuel stations	1	296
Overstatement of costs		6, 160
Total	11	30, 112
Additions, understatements of costs		984
Net deductions	11	29, 128

After making the changes noted above, and classifying the returns according to the classification herein of the property to which they apply, the revised returns are summarized as follows:

Classification	Units	Costs supported by accounting records	Costs estimated by the company or otherwise not supported by accounting records
Machinery:			
Roadway machines	188	$14,282	$3,742
Shop machinery		140,013	229,105
Power-plant machinery		53,001	6,865
Power-substation apparatus			
Total		207,296	239,712
Equipment:			
Steam locomotives	32	301,278	43,248
Freight-train cars	2,387	2,140,209	72,397
Passenger-train cars	66	417,743	51,031
Floating equipment	8	492,637	8,114
Work equipment	176	173,449	19,191
Miscellaneous equipment	3		505
Total	2,672	3,525,316	194,486

Included in the foregoing summary is one unit of floating equipment with costs of $15,308, which is used by The Direct Navigation Company.

In addition, the Morgan's Louisiana and Texas uses equipment owned by the Southern Pacific Company as detailed below. The amounts stated as representing costs are those taken from the returns of the latter company.

Classification	Units	Reported costs
Steam locomotives	14	$251,504
Freight-train cars	500	721,393
Passenger-train cars	12	148,047
Total	526	1,120,944

MISCELLANEOUS PHYSICAL PROPERTY

The investment of the Morgan's Louisiana and Texas in miscellaneous physical property on date of valuation is stated in its books as $37,256.95, consisting of:

Land, recorded at	$31,136.48
Sawmill	3,876.96
Rails and fastenings leased to Rapides Gravel Company	2,243.51
Total	37,256.95

The above does not include the outlay for noncarrier structures on carrier lands. It may include, however, some of the undetermined cost of certain lands classified herein as noncarrier lands, and it may also include some of the undetermined cost of carrier lands. The cost of such lands, so far as they are indicated by accounting records, together with certain amounts reported by the Morgan's Louisiana and Texas as costs of such lands, but which are not supported in the

accounts, are stated in the section devoted to cost of lands in the chapter on original cost to date.

INVESTMENTS IN OTHER COMPANIES

The investment of the Morgan's Louisiana and Texas in other companies on date of valuation are stated in its records at a total book value of $765,173.12. A statement of the several investments recorded as of date of valuation, with their respective par values and book values, follows:

	Par value	Book value
Stocks:		
Affiliated carrier corporations—		
Iberia and Vermilion Railroad Company	$299,500.00	$30,000.00
The Direct Navigation Company	50,000.00	30,256.68
Four demised corporations	4,301,440.00	4.00
Total	4,650,940.00	60,260.68
Other stocks—		
Caddo Mineral Lands Company	1,190.00	1,190.00
Louisiana Sugar Exchange	250.00	175.00
Morganza Land Company	2,380.00	119.00
New Orleans Board of Trade	200.00	192.50
Total	4,020.00	1,676.50
Total stocks	4,654,960.00	61,937.18
Bonds:		
Affiliated carrier corporations, Texas Transportation Company	350,000.00	350,000.00
Other bonds—		
Southwestern Traction and Power Company	12,000.00	10,200.00
United States Liberty loan 3½ per cent	13,600.00	13,600.00
United States Liberty loan 4 per cent	9,650.00	9,650.00
United States Liberty loan, being unpaid subscriptions to be collected from employees	48,955.09	48,955.09
Total	84,205.09	82,405.09
Total bonds	434,205.09	432,405.09
Notes:		
Affiliated carrier corporations, The Direct Navigation Company	100,000.00	100,000.00
Other notes, E. P. Brady, note for $5,000 reduced to	4,981.52	4,981.52
Total notes	104,981.52	104,981.52
Advances, other advances:		
The Franklin and Abbeville Railway Company	155,183.08	155,183.08
Hospital Association of Southern Pacific Lines	10,666.25	10,666.25
Total advances	165,849.33	165,849.33
Grand total	5,359,995.94	765,173.12

The considerations recorded as passed in the acquisition of the above investments are summarized as follows:

Cash	$89,268.36
Outlay of investment securities owned of a par value of	160,200.00
Credit in open account	265.00
Construction of railroad for The Franklin and Abbeville Railway Company	155,183.08
Total	404,916.44

The bonds of the Texas Transportation Company were included with the purchase of the property of the Morgan's Louisiana and Texas Railroad, the actual consideration not being separable. The stock of the Iberia and Vermilion

Railroad Company was received in consideration of guaranteeing the principal of an interest on $322,000 of bonds of that company.

There were recorded in open accounts with other companies and with individuals on date of valuation items aggregating $82,690.25, representing investments by the United States Railroad Administration, as follows:

In account with—	Description	Amount
Employees of the United States Railroad Administration.	Balance to be collected for Liberty loan bonds purchased for employees.	$75,013.00
Hospital Association of Southern Pacific Lines	Cash advanced	371.00
Iberia and Vermilion Railroad Company	Net of current assets and current liabilities	2,835.52
Southern Pacific Company	Interest on open account	4,470.73
Total		82,690.25

MATERIAL AND SUPPLIES

The recorded balance in the material and supplies account of Morgan's Louisiana and Texas as of December 31, 1917, when its property was taken over by the United States Railroad Administration, was $886,849.38.

On date of valuation the recorded balance in the material and supplies account on the books of the United States Railroad Administration is $1,186,881.61.

LEASED RAILWAY PROPERTY

The property of the Morgan's Louisiana and Texas devoted to common-carrier purposes was taken over for operation by the United States Railroad Administration on December 31, 1917, and is so operated on date of valuation.

Under an agreement dated July 31, 1909, the Morgan's Louisiana and Texas and The Franklin and Abbeville Railway Company constructed 17.42 miles of railroad extending from Davids Junction to Milton. The right of way was acquired and is owned by the company last named. The Morgan's Louisiana and Texas performed all construction work at a recorded cost of $155,183.08 cash, and the improvements so constructed are owned by it. This mileage was turned over to The Franklin and Abbeville Railway Company at its completion on July 1, 1910, for a period of 15 years. The operating company maintains the property, pays all taxes, and in addition pays the Morgan's Louisiana and Texas one-half of the gross earnings from operating the property. At the end of the 15-year period the Morgan's Louisiana and Texas has the option of removing all improvements placed on the right of way, or of extending the lease period for an additional term of 15 years. If neither option is exercised, The Franklin and Abbeville Railway Company agrees to purchase all improvements at a price to be fixed by the two companies, which price is not to exceed the amount actually expended by the Morgan's Louisiana and Texas.

The Morgan's Louisiana and Texas used on December 31, 1917, facilities owned by other companies and other companies used facilities owned by the Morgan's Louisiana and Texas to the extent indicated in the statement below.

The description of the property, the period and terms of use, and the rentals accrued and charged or credited to income or other accounts for the year ended December 31, 1917, are as follows:

	Rentals
Solely owned, but jointly used, used with—	
The Franklin and Abbeville Railway Company—	
Tracks between Franklin and Baldwin, 4.22 miles, Baldwin and Franklin-Abbeville Junction, 2.30 miles, and between New Iberia and David, 4.60 miles; annual rental $600	$600.00
Tracks between Franklin-Abbeville Junction and Alice B., 11.66 miles; rental, various rates per loaded car of sugar cane dependent on point of origin	1,374.00
Iberia and Vermilion Railroad Company, terminal facilities at New Iberia and tracks between New Iberia and Iberia-Vermilion Junction, 5.36 miles. Rental, for terminal facilities, $200 per month, credited to operating expenses; for tracks, 3 per cent per annum on valuation of $37,520	1,125.60
Iberia and Vermilion Railroad Company and Louisiana Western Railroad Company, shop buildings and contents at New Orleans and Algiers; each user pays a proportion of 5 per cent on a valuation of $491,994, the proportion of these two companies being 1 per cent and 28.4 per cent, respectively	7,232.28
Louisiana Western Railroad Company, terminal facilities at Lafayette, including 2.72 miles of road; rental, one-half of 5 per cent per annum on valuation of $362,159	9,054.00
New Iberia, St. Mary & Eastern Railroad Company—	
Industry tracks at Shadyside; rental, one-half of 5 per cent per annum on valuation of $4,540	113.50
Industry tracks at Segura; rental, one-half of 6 per cent per annum on valuation of $10,000	300.00
Pacific Fruit Express Company, certain shop facilities at Algiers; rental, 6 per cent per annum on valuation of $5,500	330.00
The Texas and Pacific Railway Company, station facilities and switch track at Cheneyville; annual rental, $75	75.00
Jointly used, but not owned, owned by—	
New Orleans Terminal Company, tracks between Shrewsbury and Sugar Refinery at Chalmette, 11.97 miles; rental, proportion, based on number of engines and cars handled, of 5 per cent per annum on a valuation of $619,518.97 and on subsequent additions and betterments	1,356.10
The Texas and Pacific Railway Company, tracks between Cheneyville and Alexandria, 23.60 miles; rental, 3 per cent per annum on a valuation of $15,000 per mile of road	10,620.00
Illinois Central Railroad Company and The Yazoo and Mississippi Valley Railroad Company, passenger station facilities at New Orleans and tracks as follows: Avondale Incline to Poydras Junction, 9.88 miles (Yazoo mileage). Avondale Junction to Poydras Junction, 6.54 miles (Illinois Central mileage). Poydras Junction to Howard Street, New Orleans, 1.34 miles (Illinois Central mileage). Howard Street to Union Depot, New Orleans, 0.21 mile (Yazoo mileage). Rental, for tracks $5,000 per annum if used only for passenger trains, $6,250 per annum if used for both freight and passenger trains. For stations and other facilities, proportion of amounts based on valuation	21,267.86

	Rentals
Jointly used, but not owned, owned by—Continued.	
Illinois Central Railroad Company and The Yazoo and Mississippi Valley Railroad Company, tracks between Shrewsbury and Harahan Junction, and Harahan Junction to Incline, 5.41 miles; rental, proportion of 3 per cent on value of property and subsequent additions and betterments	$3, 095. 99
Trans-Mississippi Terminal Railroad Company, tracks from near Amesville westward on Swift and Company's spur, 0.72 mile; rental, $120 per annum	120. 00
Louisiana Western Railroad Company, terminal facilities at Lafayette, including 3.87 miles of road; rental, one-half of 5 per cent per annum on estimated valuation of $240,806 and on subsequent additions and betterments	6, 052. 72
New Orleans, Texas & Mexico Railway Company, terminal and transfer facilities at Anchorage, including incline and transfer boats and 2.49 miles of track; rental, 2.5 per cent per annum on value of property and on subsequent additions and betterments	12, 186. 31
Jointly owned and jointly used, yards at Chalmette, adjoining plant of American Sugar Refinery and consisting of 3.57 miles of track, owned jointly with Illinois Central Railroad Company and used by owning companies jointly with The Yazoo and Mississippi Valley Railroad Company and Louisville and Nashville Railroad Company, basis of payment for use, proportion of 5 per cent per annum on value of property, the division among users being based on number of cars handled (receivable)	288. 30

GENERAL BALANCE SHEET STATEMENTS

The general balance sheet statement of the Morgan's Louisiana and Texas, as of date of valuation, follows:

ASSETS

Investments:	
Investment in road and equipment	$29, 477, 865. 26
Deposits in lieu of mortgaged property sold	926. 02
Miscellaneous physical property	37, 256. 95
Investments in affiliated companies—	
Stocks	60, 260. 68
Bonds	350, 000. 00
Notes	100, 000. 00
Other investments—	
Stocks	1, 676. 50
Bonds	82, 405. 09
Notes	4, 981. 52
Miscellaneous	165, 849. 33
Total	30, 281, 221. 35
Current assets:	
Cash	19, 391. 69
Loans and bills receivable	10, 149. 86
Traffic and car-service balances receivable	9, 576. 95
Net balance receivable from agents and conductors (credit balance)	7. 06

Current assets—Continued.	
Miscellaneous accounts receivable	$84, 633. 49
Interest and dividends receivable	9, 521. 03
Rents receivable	602, 235. 17
Other current assets	1, 597. 04
Total	737, 098. 17
Deferred assets:	
Working-fund advances	6, 757. 38
Other deferred assets	2, 285, 937. 48
Total	2, 292, 694. 86
Unadjusted debits:	
Rents and insurance premiums paid in advance	*Cr. . 01*
Other unadjusted credits	202, 413. 99
Total	202, 413. 98
Grand total	33, 513, 428. 36

LIABILITIES

Stock, capital stock	15, 000, 000. 00
Long-term debt:	
Funded debt unmatured	1, 494, 000. 00
Nonnegotiable debt to affiliated companies	416, 384. 35
Total	1, 910, 384. 35
Current liabilities:	
Traffic and car-service balances payable	581. 71
Audited accounts and wages payable	7, 828. 80
Miscellaneous accounts payable	19, 640. 75
Interest matured unpaid	14, 562. 17
Funded debt matured unpaid	4, 937, 713. 92
Unmatured interest accrued	131, 182. 50
Other current liabilities	11, 610. 66
Total	5, 123, 120. 51
Deferred liabilities, other deferred liabilities	1, 481, 979. 20
Unadjusted credits:	
Tax liability	5, 173. 35
Insurance and casualty reserves	*Dr. 52, 291. 10*
Accrued depreciation, equipment	1, 647, 031. 48
Accrued depreciation, miscellaneous physical property	202. 20
Other unadjusted credits	293, 518. 85
Total	1, 893, 634. 78

Corporate surplus:	
Addition to property through income and surplus	$6, 876. 50
Profit and loss credit balance	8, 097, 433. 02
Total	8, 104, 309. 52
Grand total	33, 513, 428. 36

The general balance sheet statement of the United States Railroad Administration, as of date of valuation, covering operation of the property of the Morgan's Louisiana and Texas, follows:

ASSETS

Investments:	
Bonds	$75, 013. 00
Advances	7, 306. 25
Miscellaneous	371. 00
Total	82, 690. 25
Current assets:	
Cash	1, 992, 572. 27
Traffic and car-service balances receivable	230, 266. 31
Net balance receivable from agents and conductors	302, 235. 23
Miscellaneous accounts receivable	1, 010, 144. 18
Material and supplies	1, 157, 390. 59
Other current assets	1, 585. 62
Total	4, 694, 194. 20
Deferred assets:	
Working-fund advances	4, 472. 94
Other deferred assets	1, 479, 160. 62
Total	1, 483, 633. 56
Unadjusted debits:	
Rents and insurance premiums paid in advance	24. 76
Other unadjusted debits	629, 089. 35
Total	629, 114. 11
Grand total	6, 889, 632. 12

LIABILITIES

Long-term debt, nonnegotiable debt to affiliated companies, open accounts	1, 594, 760. 55
Current liabilities:	
Audited accounts and wages payable	854, 841. 86
Miscellaneous accounts payable	796, 949. 85
Other current liabilities	*Dr. 4, 747. 74*
Total	1, 647, 043. 97

Deferred liabilities, other deferred liabilities	$2, 070, 067. 17
Unadjusted credits:	
Tax liability	159, 800. 60
Insurance and casualty reserves	20, 780. 72
Operating reserves	*Dr. 109, 320. 11*
Accrued depreciation—equipment	51, 708. 13
Other unadjusted credits	303, 504. 57
Total	426, 473. 91
Corporate surplus, profit and loss credit balance	1, 151, 286. 52
Grand total	6, 889, 632. 12

Predecessor Companies

The New Orleans, Opelousas and Great Western Railroad Company (Charles Morgan)—Predecessor of the Morgan's Louisiana and Texas

INTRODUCTORY

The New Orleans, Opelousas and Great Western Railroad Company (Charles Morgan) was not a corporation. Charles Morgan was the successor of the company of that name, having purchased its property, including its franchises, and as the individual owner operated the property until April 1, 1878, when he sold it to the Morgan's Louisiana and Texas.

Charles Morgan was a New York capitalist prominently identified with various railroads in Louisiana and Texas and with steamship lines between New York City and New Orleans, La., and on the Gulf of Mexico. Separate records for the operation and development of the former property of The New Orleans, Opelousas and Great Western Railroad Company were maintained. The road was generally known as Morgan's Louisiana and Texas Railroad during the period of Morgan's sole ownership. It will be hereinafter referred to as the Charles Morgan.

The Charles Morgan, at the date of sale to the Morgan's Louisiana and Texas, owned and operated about 94.5 miles of single-track, standard-gage, steam railroad, all in the State of Louisiana. Its main line extended from Algiers, a point on the Mississippi River opposite New Orleans, in a westerly direction for a distance of about 80 miles to Morgan City, formerly called Brashears, a point on Berwick's Bay. A branch line extended from Schriever, formerly Terrebonne, in a general southerly direction to Houna, a distance of 14.5 miles. Ferry service for the transfer of freight and passengers was maintained across the Mississippi River between Algiers and New Orleans. At New Orleans and at Morgan City the Charles Morgan interchanged freight and passenger business with steamer lines.

The Charles Morgan was operated by Charles A Whitney & Company, as agents for Charles Morgan.

Records for the Charles Morgan between August 1, 1869, and October 31, 1870, are missing, so that only partial information for that period has been obtained, mainly from certain records marked C. A. Whitney and Co.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The road owned by the company on the date of the sale of its property had been acquired in part by purchase and in part by construction, as set forth in detail in the chapter on development of fixed physical property in the report on the Morgan's Louisiana and Texas. In addition, it purchased from the Pontchartrain Rail Road Company on March 11, 1872, about one and a half miles of track in New Orleans for terminal purposes, which it later disposed of.

HISTORY OF CORPORATE FINANCING

No syndicating arrangements for financing the purchase and operation of the company were made. The completed road was purchased by Charles Morgan under foreclosure proceedings, the purchase price being $2,050,000, of which $701,825 was paid in cash. Payment of the remaining $1,348,175 of the purchase price was assumed by Charles Morgan in favor of the holders of 1,987 bonds of The New Orleans, Opelousas and Great Western Railroad Company, having a par value of $1,987,000 and maturing April 1, 1889. The payment assumed amounted to $678.48 for each of the bonds and their interest rate of 8 per cent per annum was payable on that sum instead of on the par value.

On the date of sale of the property of the Charles Morgan to Morgan's Louisiana and Texas, Charles Morgan owned 1,616 of the bonds, whose cost of acquisition, except for 48 bonds purchased for cash at par of the reduced principal, is not of record on the books of the company. There were, therefore, 371 bonds outstanding in the hands of the public, with a liability for principal of $251,716.08.

On the books of the Charles Morgan, as of March 31, 1878, there was an open account liability of $126,496.57 to Charles Morgan. This open account was largely a clearing account for transactions affecting both investment and operations. It also recorded advances made by Charles Morgan for the railroad, advances made by the railroad to him, and amounts paid to him as owner.

RESULTS OF CORPORATE OPERATIONS

Complete results of operations can not be stated owing to the absence of records for the period from August 1, 1869, to October 31, 1870.

Income statement.—A condensed summary of the income accounts for the period November 1, 1870, to the date of sale follows:

Operating income:	
Railway operating revenues	$7, 872, 033. 30
Railway operating expenses	4, 537, 452. 69
Net revenue from railway operations	3, 334, 580. 61
Railway tax accruals	134, 273. 99
Total operating income	3, 200, 306. 62
Nonoperating income:	
Hire of equipment	60. 00
Miscellaneous rent income	545. 00
Income from funded securities	4, 980. 36
Miscellaneous income	227. 80
Total	5, 813. 16
Gross income	3, 206, 119. 78

Deductions from gross income:	
Interest on funded debt	$163, 390. 98
Interest on unfunded debt	49, 219. 97
Total	212, 610. 95
Net income	2, 993, 508. 83
Disposition of net income, income credit balance transferable to profit and loss	2, 993, 508. 83

Profit and loss—As transactions affecting income and its disposition were passed to the open account with Charles Morgan there was no profit and loss account on the books. In the open account $1,331.40, the uncollectible balance of an account receivable, was charged against Charles Morgan. A profit and loss account, taking up the income results and this item, would be as follows:

Credit balance transferred from income	$2, 993, 508. 83
Miscellaneous debits	1, 331. 40
Credit balance on Mar. 31, 1878	2, 992, 177. 43

INVESTMENT IN ROAD AND EQUIPMENT

The records of the company for the period August 1, 1869, to October 31, 1870, are missing. The following is a general analysis of the investment in road and equipment as recorded in the period from November 1, 1870, to the date of sale of the property.

Road and equipment purchased under foreclosures, properties of The New Orleans, Opelousas and Great Western Railroad Company:		
Completed road—		
Recorded money outlay	$701, 825. 00	
Funded debt assumed at an agreed amount	1, 348, 175. 00	
		$2, 050, 000. 00
Partially built road, recorded money outlay		250, 000. 00
(This amount when applied in partial settlement of judgments against The New Orleans, Opelousas and Great Western Railroad Company was distributed, to Charles Morgan $197,025.03, and, to various parties $52,974.97)		
Road purchased from Pontchartrain Rail Road Company, recorded money outlay		250, 000. 00
Construction, additions and betterments, construction of branch line from Schriever to Houma and improvements on whole property, recorded money outlay		1, 284, 053. 55
Total		3, 834, 053. 55
Less road and equipment retired:		
Retirement of road, sale to the New Orleans, Mobile and Texas Railroad Company for the consideration of $283,205.47, of the partially built road acquired from The New Orleans, Opelousas and Great Western Railroad Company, resulting in a retirement from investment account of the amount for which this property had been purchased	$250, 000. 00	

Less road and equipment retired—Continued.		
Retirement of equipment at sale price of	$31,000.00	
		$281,000.00
Total recorded at Mar. 31, 1878		3,553,053.55

This balance, omitting the recorded money outlay for that part of the property which was disposed of, would comprise the following:

Recorded money outlay	$2,235,878.55
Funded debt assumed at agreed price	1,348,175.00
Less unknown cost of equipment retired at a sale price of	31,000.00

In addition, the company charged $70,621.43 of recorded money outlay for construction of 125 freight cars to operating expenses, and recorded money outlay of $95,177.23 for alteration in gage of road, in equipment and in turntable, to the Charles Morgan.

INVESTMENT IN OTHER COMPANIES

There were due to the Charles Morgan as of March 31, 1878, balances in open accounts with the Morgan Line (of steamers) and with the Atchafalaya Bay Company of Louisiana, the respective amounts of $112,119.36 and $16,255.64.

THE NEW ORLEANS, OPELOUSAS AND GREAT WESTERN RAILROAD COMPANY—PREDECESSOR OF THE CHARLES MORGAN

INTRODUCTORY

This company, a corporation of the State of Louisiana, owned and operated on July 31, 1869, when the completed part of its railroad was purchased by Charles Morgan under foreclosure, 80 miles of single-track, steam railroad, of a gage of 5 feet and 6 inches. The main line extended from Algiers on the Mississippi River opposite New Orleans, to Morgan City, formerly Brashears, a point on Berwick Bay. Ferry service across the Mississippi River between Algiers and New Orleans was maintained for the transfer of freight and passengers.

In addition, this company had partly completed the construction of 80 miles of road extending from Morgan City northwesterly to a point near Opelousas, La., but from May 1, 1862, by or for the Government without compensation to the owner. From February 1, 1866, till date of sale, The New Orleans, Opelousas and Great Western Railroad Company operated its own road. The records of the company are incomplete, no ledger or journal for the period beyond March 10, 1869, being obtainable.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

Details with respect to the construction of the property owned on date of sale are given in the chapter on development of physical property in the report on the Morgan's Louisiana and Texas.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records of the company do not indicate the use of syndicating arrangements in connection with the issuance of its securities. Subscriptions for part of the capital stock were made by the State of Louisiana and by the city of New Orleans. The sale of State and city bonds delivered at par in settlement of the respective subscriptions was an important feature in the financing of road construction.

Capital stock and long-term debt.—From the date of its incorporation, early in 1852, to March 10, 1869, the period for which books have been found, the company recorded issues of capital stock and funded debt aggregating $5,349,176.78. Bonds of a par value of $9,000, reported to stockholders as also having been issued, had not been recorded. Of these issues, $5,276,176.78 were recorded as outstanding in the hands of the public, although the amount actually outstanding was $5,285,176.78. These issues and retirements of securities are summarized in the following table:

Class	Issued	Retired	Actually outstanding
Capital stock, common, par value	$3,258,176.78		$3,258,176.78
Funded debt, par value	2,100,000.00	$73,000.00	2,027,000.00
Total	5,358,176.78	73,000.00	5,285,176.78

Capital stock.—Capital stock, authorized in the amount of $6,000,000 par value, was issued in the amount of $3,258,176.78 in exchange for the following recorded considerations:

Par value	Consideration	Recorded value
Issued		
$1,084,328.29	Cash (discount $3,924.99)	$1,080,403.30
1,500,000.00	Bonds of city of New Orleans, at par	1,500,000.00
650,000.00	Bonds of State of Louisiana, at par	650,000.00
13,875.00	Real estate and construction	13,875.00
6,018.33	Operating expenses	6,018.33
1,476.94	Settlement of short-term note	1,476.94
2,478.22	Recorded amount of item for which detail is unascertainable	2,478.22
3,258,176.78	Total par value	3,254,251.79

The discount of $3,924.99 was charged to profit and loss account.

As recorded in the accounts for capital stock, the amount outstanding was $3,183,680.23. The difference of $74,496.55 is due to a deduction of $73,796.38, because of canceled interest on overdue stock subscriptions, though the amount of stock issued was not thereby affected, and to an omission of $700.17 in fractional stock, payment for which was credited to profit and loss.

Funded debt.—The company issued and reacquired funded debt in exchange for the following recorded considerations:

Par value	Consideration	Recorded value
Issued		
$2,091,000.00	Cash	$1,165,001.76
	Bonds of the city of New Orleans, at par	4,000.00
	Bonds of the city of New Orleans, taken at 85	8,500.00
	Payment of current liabilities	367,508.83
	Settlement of interest coupons at par	40,000.00
	Labor and material for construction	53,000.00
2,091,000.00	Recorded issues and considerations	1,638,010.59
	Discount $452,989.41	
9,000.00	Not recorded, consideration unknown	
2,100,000.00	Total par value issued	
Reacquired and retired		
$26,000.00	Cash ($300 less than par value)	25,700.00
47,000.00	Bonds of the city of New Orleans at par	47,000.00
73,000.00	Total par value reacquired	72,700.00
Outstanding		
$2,027,000.00		

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The difference between the par value of funded debt recorded as having been issued and the considerations recorded as received in exchange therefor amounted to $452,989.41. Of this amount $449,589.41 was charged to profit and loss, while the balance, $3,400, representing discount, was not recorded on the books, the proceeds of the bonds instead of the full par value having been entered as the liability.

The difference of $300 between the reacquisition cost and the par value of funded debt reacquired was adjusted by crediting profit and loss account.

A statement of the funded debt actually outstanding when the property of this company was disposed of, follows:

Title of security	Par value
First-mortgage, 8 per cent construction bonds, maturing Apr. 1, 1889	$1,987,000
Second-mortgage bonds maturing Mar. 1, 1887	40,000
Total	2,027,000

As recorded in the account for funded debt unmatured, the amount outstanding was $2,014,600. A difference of $3,400 is due to the entering in that account for $18,000 par value, only the amount of $14,600, and correspondingly omitting from profit and loss, the discount. As previously mentioned, $9,000 par value was not recorded in books extending to March 10, 1869.

Short-term notes.—To March 10, 1869, $7,742,796.60 of short-term notes were issued, of which $7,717,093.56 par value had been retired, leaving $25,703.04 par value outstanding. Of the notes issued $1,397,357.36 was to renew other notes. The remainder of the retirements was made generally with cash.

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations from the beginning of operations to March 10, 1869, as shown in the income and profit and loss accounts, are given below. From May 1, 1862, to January 31, 1866, operations were conducted by or for the Federal Government without compensation to the company.

Income statement.—A condensed summary of the income account for the period indicated, follows:

Operating income:		
Railway operating revenues		$3,572,799.50
Railway operating expenses		3,294,982.29
Net revenue from railway operations		277,817.21
Total operating income		277,817.21
Nonoperating income, income from funded securities		237,990.68
Gross income		515,807.89
Deductions from gross income:		
Interest on funded debt		409,296.09
Interest on unfunded debt		593,628.95
Total		1,002,925.04
Net deficit, transferred to debit of profit and loss		487,117.15

Profit and loss statement.—A summary of the profit and loss accounts for the period indicated, follows:

Credit, miscellaneous credits, including an item of $300, the difference between the par value and cost of reacquirement of bonds of The New Orleans, Opelousas and Great Western Railroad Company, and an item of $2,140, the difference between the par of bonds of the city of New Orleans and the price at which they were purchased by this company		$17,627.16
Debits:		
Net debit balance transferred from income		487,117.15
Stock discount extinguished through surplus		3,924.99
Debt discount extinguished through surplus		449,589.41
Miscellaneous debits—		
Amount below par at which The New Orleans, Opelousas and Great Western Railroad Company sold bonds of the city of New Orleans	$380,322.11	
Amount below par at which it sold bonds of the State of Louisiana	33,846.56	
Adjustment of account, rolling stock, to reduce to estimated cash value as of Jan. 1, 1869	293,420.63	
Accounts against the Confederate Government written off as worthless	62,470.57	
Bonds of Louisiana municipalities, purchased during the Civil War, written off as worthless	53,000.00	
Other miscellaneous debits	88,604.01	
		911,663.88
Total		1,852,295.43

As recorded, the debit balance on March 10, 1869, would be affected by the errors of record with respect to the amount of capital stock outstanding and the amount of funded debt.

The debit balance would be increased by the following amounts chargeable to profit and loss account.

Reversal of credit	$700.17
Cancellation of income interest	73,796.38
Discount on bonds not previously recorded as such	3,400.00
	77,896.55

The debit balance as of March 10, 1869, would be increased by these adjustments to $1,912,564.82, without regard to the $9,000 of funded debt not of record though reported as being outstanding.

INVESTMENT IN ROAD AND EQUIPMENT

The investment in road and equipment, including land, on March 10, 1869, was recorded as $3,145,481.20, of which the following is a general analysis:

Recorded money outlay		$3,332,072.44
Outlay in securities at par:		
Capital stock	$13,875.00	
Bonds	48,000.00	
		61,875.00

Outlay in securities owned by The New Orleans, Opelousas and Great Western Railroad Company:		
Bonds of the State of Louisiana at par	$10, 000, 00	
Bonds of the city of New Orleans—		
$33,000 par value at par	33, 000. 00	
$5,000 par value at 85	4, 250. 00	
$3,000 par value at 80	2, 400. 00	
		$49, 650. 00
Total		3, 443, 597. 44
Less—		
Retirement of sawmill at recorded cost	4, 695. 52	
Amount transferred to profit and loss account adjusting rolling stock to $300,000 as being the estimated cash value at Jan. 1, 1869	293, 420. 63	
		298, 116. 15
Total as of Mar. 10, 1869		3, 145, 481. 29

In addition, net charges of $186,859.56, representing revenues and operating expenses during the construction period would, under the present classification of accounts, be includible in the investment in road and equipment account.

In a report to stockholders for the year 1867, it is stated that the part of the equipment turned back by the United States Government was at least $297,870 less in value than the equipment taken over in 1862. Whether or not the reduction in the equipment account was made for that reason is uncertain, as details of the adjustment basis are not of record.

MISCELLANEOUS PHYSICAL PROPERTY

In 1852 the company purchased certain real estate in Gretna, La., for $30,000 in notes and $9,600 in cash, and set up the amount of $39,600 as representing property not used for transportation purposes. Part of this land was sold and on March 10, 1869, the remainder was carried at $29,055.69, but the records do not indicate what part, if any, had been taken over for carrier purposes.

INVESTMENTS IN OTHER COMPANIES

As part of the early financing of this company bonds of the State of Louisiana, $701,000 of the city of New Orleans, $1, 517,000, and of the Parish of St. Landry, $2,000, were acquired by the railroad and disposed of as follows:

Par value	Consideration	Recorded value
Acquired		
$650, 000. 00	Capital stock at par	$650, 000. 00
51, 000. 00	Cash	51, 000. 00
701, 000. 00	Total	701, 000. 00
1, 500, 000. 00	Capital stock at par	1, 500, 000. 00
4, 000. 00	First-mortgage construction bonds at par	4, 000. 00
10, 000. 00	First-mortgage bonds, par value $10,612, recorded at	8, 500. 00
2, 000. 00	Rails and fastenings recorded at	1, 360. 00
1, 000. 00	Cash	810. 00
1, 517, 000. 00	Total	1, 514, 670. 00
2, 000. 00	Cash	2, 000. 00
2, 220, 000. 00	Total	2, 217, 670. 00

Par value	Consideration	Recorded value
Disposed of		
$2, 220, 000. 00	Cash	$1, 354, 496. 33
	Labor and material, of which $800 was charged to operating expenses and the remainder to investment account	50, 450. 00
	Charged to open accounts with individuals and companies, these accounts being settled later with cash, etc	298, 885. 00
	First-mortgage construction bonds at par	4, 000. 00
55, 000. 00	Company tax bonds at par, Written off to profit and loss, at par,	43, 000. 00
2, 165, 000. 00	Total	1, 750, 831. 33

The difference of $2,330 between the par of bonds acquired and the total recorded considerations was credited $190 to income and $2,140 to profit and loss.

The difference of $414,168.67 between the par of $2,165,000 and the recorded considerations received was charged to profit and loss.

SECTION 11

Valuation Docket No. 923

Southern Pacific Terminal Company

Location and general description of property.—The Southern Pacific Terminal Company, herein called the Southern Pacific Terminal, owns and operates a terminal property on Galveston Island in the State of Texas. The railroad property consists of 27.270 miles of yard and side tracks, a steam electric power plant, piers, freight house, slips, warehouse, roundhouse, shops, and other terminal facilities at tidewater. The necessary switching over the tracks of the Southern Pacific Terminal is performed by The Galveston, Harrisburg and San Antonio Railway Company.

Capital stock and long-term debt.—The Southern Pacific Terminal had outstanding, on date of valuation, a total par value of $2,000,000 of common stock.

Results of corporate operations.—For the period November 1, 1901, to December 31, 1917, the aggregate railway operating expenses were 33.9 per cent of the railway operating revenue. During the period of 10 years preceding date of valuation average annual dividends of 8.4 per cent on the common stock were declared.

Original cost to date.—The original cost to date of the common-carrier property of the Southern Pacific Terminal can not be ascertained. The data obtained on the outlay for creating and improving the property may be summarized as follows:

Recorded money outlay	$1, 490, 641. 23
Expenditures by the Southern Pacific Company which can not be analyzed, due to lack of records	1, 311, 592. 51

Expenditures by The Galveston, Harrisburg and San Antonio Railway Company for improvements	$41,739.54
From which should be deducted such portions, not definitely ascertainable, as represent property retired, credited at	93,563.70

We are not able to report the cash value at the time of the transaction of the outlays other than money, because we have not been able to obtain the necessary information. There may be included in the outlays stated above some or all of the cost of the noncarrier lands owned. Further information will be found in Appendix 2.

Investment in road and equipment.—The investment of the Southern Pacific Terminal in road and equipment, including land, on date of valuation, is stated in its books as $2,749,316.48. If certain readjustments were made, this amount would be increased to $2,750,409.58, of which $1,353,332.05, less an undetermined portion thereof assignable to offsetting items included in amounts recorded at $93,563.70, represents considerations other than money, the cash value of which at the time of the transaction we are not able to report, because it has been impossible to obtain the necessary information. There may be included in the amount above stated some or all of the cost of the noncarrier lands owned. Further information will be found in Appendix 2.

Cost of reproduction new and cost of reproduction less depreciation.—The cost of reproduction new and cost of reproduction less depreciation of all common-carrier property, other than land and material and supplies, owned or used by the Southern Pacific Terminal are as shown below:

Classification	Cost of reproduction new	Cost of reproduction less depreciation
Wholly owned and used	$1,127,024	$776,519
Owned but not used, leased to The Galveston, Harrisburg and San Antonio Railway Company	919	781
Total owned	1,127,943	777,300
Total used	1,127,024	776,519

These amounts, classified in conformity with the classification of expenditures for road and equipment as prescribed by us, are shown in summary sheets in Appendix 1. Information as to the character of the property owned but not used will be found in Appendix 2 under leased railroad property.

Cost of lands, rights of way, and terminals at time of dedication to public use, and their present value.—The Southern Pacific Terminal

owns and uses for common-carrier purposes 164.44 acres of land. The total original cost of lands owned by the Southern Pacific Terminal and used for common-carrier purposes can not be ascertained, as the necessary records are not obtainable, but data that are obtainable on their original cost will be found in Appendix 2. Their present value is $2,239,380.

Property held for purposes other than those of a common carrier.—The Southern Pacific Terminal owns and holds for noncarrier purposes 157.98 acres of land. The original cost of these lands can not be ascertained, as the necessary records are not obtainable, but data that are obtainable on their original cost will be found in Appendix 2. The present value of the noncarrier lands, and improvements thereon, owned by the Southern Pacific Terminal is $1,704,073. The value of noncarrier structures on carrier land is $10,573.

The Southern Pacific Terminal owns securities of other companies held for noncarrier purposes. Their par value is $147,962.44 and their book value, stated by the Southern Pacific Terminal as its net investment in the securities of other companies, is the same amount. These securities, with their par and book values on date of valuation, are listed in Appendix 2.

Aids, gifts, grants of rights of way, and donations.—The Southern Pacific Terminal reports that it has received as aids materials of a value of $167.10 from the city of Houston, Tex. In addition, the following aids, gifts, grants, and donations are found of record:

Donor	Description	Amount
Metals Warehouse Company	Excess over $350 for construction of lean-to for warehouse No. 3.	$126.55
Tarver, Steele and Company	50 per cent of cost of filling in with mud shell around sheds at Pier "A."	1,744.23

Material and supplies.—The book value of material and supplies on hand on December 31, 1917, when the property of the Southern Pacific Terminal was taken over for operation by the United States Railroad Administration, was $2,057.62. The Southern Pacific Terminal has no material and supplies on hand on date of valuation.

The investment of the United States Railroad Administration in material and supplies applicable to its operation of the property on the Southern Pacific Terminal is stated in its books on date of valuation as $2,111.79.

Final value.—After careful consideration of all facts herein contained, including appreciation, depreciation, going-concern value, working capital, and all other matters which appear to have a bearing upon the values here reported, the values, for rate-making purposes,

of the property of the Southern Pacific Terminal, owned or used, devoted to common-carrier purposes, are found to be as follows:

	Final value
Wholly owned and used	$3,022,112
Owned but not used, leased to The Galveston, Harrisburg and San Antonio Railway Company	800
Used but not owned, leased from—	
Texas and New Orleans Railroad Company	20,000
The Galveston, Harrisburg and San Antonio Railway Company	7,963
Total	27,963
Total owned	3,022,912
Total used	3,050,075

There are included in the above statement the following amounts for working capital:

	Cash	Material and supplies	Total
Owned and used	$2,112		$2,112
Used but not owned, owned by—			
Texas and New Orleans Railroad Company		$20,000	20,000
The Galveston, Harrisburg and San Antonio Railway Company	7,963		7,963

No other values or elements of value to which specific sums can now be ascertained are found to exist.

By the commission, division 1.

[SEAL.] GEORGE B. MCGINTY,

Secretary.

APPENDIX 1

SOUTHERN PACIFIC TERMINAL

Traffic connections.—The tracks of the Southern Pacific Terminal have physical connection at each end of its yards with those of The Galveston, Harrisburg and San Antonio Railway Company.

Physical conditions affecting construction.—This terminal is located for the greater part on reclaimed land, the material being dredged from the slips and bay.

Equipment.—The only equipment owned by the Southern Pacific Terminal is a floating pile driver.

Engineering and general expenditures.—Engineering has been estimated at 4 per cent on road accounts 3 to 47, inclusive. General expenditures, exclusive of interest, have been estimated at 1.5 per cent on road accounts 1 to 47, exclusive of account 2. Interest during construction has been estimated for one-half the construction period, plus 3 months, at 6 per cent per annum on all road and general-expenditures accounts, except accounts 2 and 76. Interest on equipment has been estimated for 3 months at 6 per cent per annum. The construction period has been placed at 18 months for the owned property and at 12 months for the owned but not used property.

SUMMARIES

Wholly owned and used

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$40,156	$40,156
3	Grading	22,649	22,609
6	Bridges, trestles, and culverts	230	62
8	Ties	55,920	30,756
9	Rails	73,753	65,034
10	Other track material	31,855	22,646
11	Ballast	37,994	30,344
12	Tracklaying and surfacing	39,490	29,618
13	Right-of-way fences	772	386
15	Crossings and signs	51	26
16	Station and office buildings	245,562	159,967
17	Roadway buildings	10,190	7,062
18	Water stations	3,089	2,502
19	Fuel stations	234	187
20	Shops and engine houses	60,183	49,252
22	Storage warehouses	29,767	24,103
23	Wharves and docks	224,712	135,400
29	Power-plant buildings	36,717	27,115
32	Power-distribution systems	6,313	3,906
33	Power-line poles and fixtures	1,524	549
37	Roadway machines	138	90
38	Roadway small tools	385	192
44	Shop machinery	7,126	3,254
45	Power-plant machinery	115,242	63,735
	Total, 1, and 3 to 47, inclusive	1,044,052	718,953
	II. EQUIPMENT		
57	Work equipment	3,673	2,846
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	15,661	10,806
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	63,638	43,914
	Total, 71 to 77, inclusive	79,299	54,720
	Grand total, 1, and 3 to 77, inclusive	1,127,024	776,519

Wholly owned but not used, leased to The Galveston, Harrisburg and San Antonio Railway Company

Account	Classes	Cost of reproduction new	Cost of reproduction less depreciation
	I. ROAD		
1	Engineering	$33	$33
44	Shop machinery	833	703
	Total, 1, and 3 to 47, inclusive	866	736
	III. GENERAL EXPENDITURES		
71	Organization expenses		
72	General officers and clerks		
73	Law		
74	Stationery and printing	13	11
75	Taxes		
77	Other expenditures, general		
76	Interest during construction	40	34
	Total, 71 to 77, inclusive	53	45
	Grand total, 1, and 3 to 77, inclusive	919	781

APPENDIX 2

Southern Pacific Terminal

INTRODUCTORY

The Southern Pacific Terminal is a corporation of the State of Texas, having its principal office at Galveston, Tex. It is controlled by the Southern Pacific Company through ownership of a majority of its outstanding capital stock. On the other hand, the company does not control any common-carrier corporation.

The property of the Southern Pacific Terminal was operated by its own organization until December 31, 1917. On January 1, 1918, its common-carrier property was taken over for operation by the United States Railroad Administration, which still operated it on date of valuation.

The Southern Pacific Terminal leases a grain elevator to the Rosenbaum Grain Elevator Company of Illinois; land and fuel oil storage facilities to the Rio Bravo Oil Company; warehouses Nos. 1, 2, and 3, office building and storage yards to the Metals Warehouse Company; warehouse and office on Pier "B" to Suderman and Dolson.

CORPORATE HISTORY

The Southern Pacific Terminal was incorporated July 6, 1901, for a period of 50 years under the general laws of Texas.

The purpose of incorporation was to construct and operate warehouses, docks, and wharves, and grain elevators, including the construction, owning, and operating of docks on the Texas coast for the protection and accommodation of ships and all kinds of vessels for navigation and their cargoes; and to avail of, use, and enjoy the properties, rights, and privileges and franchises granted in the act of the Legislature of the State of Texas, approved May 1, 1899, entitled "An Act ratifying and confirming an ordinance passed by the City Council of the city of Galveston on the 4th day of February, 1899, entitled 'An ordinance abandoning, discontinuing, and closing certain streets, avenues, and alleys of the city of Galveston, and authorizing and empowering Collis P. Huntington, his heirs or assigns, perpetually to construct and maintain piers on the shore of Galveston Bay within the corporate limits of the City of Galveston upon certain specified conditions,' and conditionally relinquishing any claim the State of Texas may have to part of the property therein described."

The date of organization was July 9, 1901.

The articles of incorporation were amended by the filing of a certificate dated July 10, 1903, providing for an increase in the authorized capital stock from $1,000,000 to $2,000,000.

The incorporators were W. G. Van Vleck, C. B. Seger, and R. S. Lovett, all of whom were identified with companies controlled by the Southern Pacific Company.

DEVELOPMENT OF FIXED PHYSICAL PROPERTY

The road and facilities owned by the Southern Pacific Terminal on the date of valuation had been acquired by it as indicated hereunder.

By purchase from estate of Collis P. Huntington.—The properties purchased by the Southern Pacific Terminal, as per deed of conveyance dated July 10, 1901, from the Executrix and Executors of the Will and Estate of Collis P. Huntington, deceased, consisted of lands, rights, privileges, and franchises at Galveston, secured by the Southern Pacific Company, through C. P. Huntington, its representative, together with certain development work and improvements such as filling in lands, laying of tracks to aid in construction, building bulkheads, etc.

The Galveston flood of September 8, 1900, destroyed or damaged the work to a considerable extent. Repairs were made and the work was continued by the Southern Pacific Company until the incorporation of the Southern Pacific Terminal. The extent of the work performed by the Southern Pacific Company, however, can not be specifically stated, nor can the expenditures made by it, prior to the coming into existence of the Southern Pacific Terminal, be verified on account of the destruction of the records of the Southern Pacific Company in the Equitable Building fire at New York City on January 9, 1912.

By construction.—After purchase of the properties from the Estate of C. P. Huntington, the Southern Pacific Company continued the work of construction under the charter of the Southern Pacific Terminal. A total of 27.27 miles of terminal tracks was laid, principally during the year 1901. Roundhouse, blacksmith shop, and other railroad property was constructed by the Galveston, Houston & Northern Railway Company and The Galveston, Harrisburg and San Antonio Railway Company during 1905 and 1906 for account of the Southern Pacific Terminal.

HISTORY OF CORPORATE FINANCING

Syndicating, banking, and other financial arrangements.—The records of the Southern Pacific Terminal do not indicate that any syndicating arrangements were made in connection with the issuance of its securities. It was organized and financed by the Southern Pacific Company, the latter company furnishing through open account advances all funds required for the purchase of property, construction, and additions and betterments, except the financing done through the earnings of the Southern Pacific Company.

Capital stock.—The authorized capital stock was originally $1,000,000 par value, divided into shares of $100 par value each, and classed as common stock. The amount of the authorized capital stock was increased on July 10, 1903, to $2,000,000 par value. At date of valuation 19,995 shares were owned by the Southern Pacific Company and are held as collateral under trust by the United States Trust Company of New York City as part security for the Central Pacific Railway Company's 4 per cent, 35-year European loan of 1911 under the agreement of March 1, 1911, relating thereto.

The Southern Pacific Terminal issued capital stock in exchange for the following considerations:

Par value	Consideration	Recorded value
Issued		
$1,000,000	Land, franchises, rights, and improvements to property at Galveston	$1,000,000
1,000,000	Open account advances by Southern Pacific Company	1,000,000
2,000,000	Total issued for considerations	2,000,000
Outstanding		
$2,000,000		

RESULTS OF CORPORATE OPERATIONS

The results of corporate operations, as shown in the income and profit and loss accounts of the Southern Pacific Terminal and the United States Railroad Administration are given separately below.

Income statement of the Southern Pacific Terminal.—A condensed summary of the income accounts for the year ending December 31, 1917, and for the period November 1, 1901, to December 31, 1917, follows:

	Year	Period
Operating income:		
Railway operating revenues	$473,032.25	$4,336,016.58
Railway operating expenses	72,616.89	1,481,129.58
Net revenue from railway operations	400,415.36	2,854,887.00
Railway tax accruals	129,510.18	739,386.25
Total	270,905.18	2,115,500.75
Nonoperating income:		
Hire of equipment		405.10
Miscellaneous rent income	36,293.65	694,838.14
Income from funded securities	3,679.12	3,679.12
Income from unfunded securities and accounts	246.57	63,953.95
Miscellaneous income	Dr. 27.63	21,074.77
Total	40,191.71	783,951.08
Gross income	311,096.89	2,899,451.83
Deductions from gross income:		
Hire of equipment		100.00
Interest on funded debt		35,677.95
Interest on unfunded debt		6,048.25
Miscellaneous income charges		1,093.10
Total		42,919.30
Net income	311,096.89	2,856,532.53
Disposition of net income:		
Dividend appropriations of income		380,000.00
Total appropriations of income		380,000.00
Income credit balance transferred to profit and loss	311,096.89	476,532.53

There is included in the above statement in miscellaneous income charges $1,093.10 which represents organization expenses which, under the present classification of accounts, would be includible in the investment in road and equipment account. If this item were so transferred the income credit balance transferred to profit and loss would be increased by $1,093.10, or to $2,477,625.63.

Profit and loss statement of the Southern Pacific Terminal.—A condensed summary of the profit and loss accounts for the period November 1, 1901, to date of valuation, follows:

Credits:		
Net credit balance transferred from income		$2,594,869.93
Donations		2,037.88
Miscellaneous credits—		
Insurance on grain elevator	$54,270.79	
Other miscellaneous credits	701.97	
		54,972.76
Total		2,651,880.57

Debits:	
Dividend appropriations of surplus	$1,760,000.00
Surplus appropriated for investment in physical property	167.10
Loss on retired road and equipment	44,456.24
Miscellaneous debits: Other miscellaneous debits	3,407.61
Total	1,808,030.95
Credit balance on date of valuation	843,849.62

If the item of $1,093.10 included in income hereinbefore referred to as being transferable to investment in road and equipment account, were so transferred, the credit balance in the profit and loss account would be increased by $1,093.10, or to $844,942.72.

Income statement of the United States Railroad Administration.—A condensed statement of the income accounts for the period January 1, 1918, to date of valuation, follows:

	Period
Operating income:	
Railway operating revenues	$177,185.82
Railway operating expenses	48,574.10
Net revenue from railway operations	128,611.72
Railway tax accruals	37,945.00
Railway operating income	90,666.72
Total operating income	90,666.72
Nonoperating income:	
Hire of equipment	9.66
Income from unfunded securities and accounts	121.08
Total	130.74
Gross income	90,797.46
Disposition of net income, income credit balance transferred to profit and loss	90,797.46

Profit and loss statement of the United States Railroad Administration.—The profit and loss accounts for the period from January 1, 1918, to date of valuation, consist of a balance of $90,797.46, representing a credit balance transferred from income accounts.

Dividends.—The Southern Pacific Terminal declared cash dividends aggregating $2,140,000 during the period from July 1, 1904, to date of valuation, of

which $380,000 was charged to income and $1,760,000 was charged to profit and loss. The dividends declared were at the rates per annum as noted below.

Fiscal year ended—		Per cent	Fiscal year ended—		Per cent
June 30	Dec. 31		June 30	Dec. 31	
1905		6	1911		6
1906		5	1912		6
1907		12	1913		6
1908		18	1914		6
1909		6	1915		10
1910		6	1916		10
				1917	10

INVESTMENT IN ROAD AND EQUIPMENT

The investment of the Southern Pacific Terminal in road and equipment, including land, on date of valuation, is stated in its books as $2,749,316.48, of which the following is a general analysis:

Properties purchased from Estate of Collis P. Huntington, capital stock at par value		$1,000,000.00
Construction and additions and betterments:		
Recorded money outlay by the Southern Pacific Terminal		1,489,548.13
Expenditures by the Southern Pacific Company—		
Construction and land	$1,231,781.78	
Interest on open account	79,810.73	
Less capital stock delivered in settlement	1,000,000.00	
Balance due Southern Pacific Company recorded by Southern Pacific Terminal in open account		311,592.51
Expenditures by The Galveston, Harrisburg and San Antonio Railway Company recorded by Southern Pacific Terminal in open account		41,739.54
Total		2,842,880.18
Less property retired, credit at		93,563.70
Balance at date of valuation		2,749,316.48

The above balance does not include $1,093.10 for organization expenses charged to income. If this item were included in the investment in road and equipment account, the balance therein would be increased by $1,093.10, or to $2,750,409.58.

This balance, so far as it is resolvable into its constituent elements, comprises the following classes of outlay:

Capital stock, par value	$1,000,000.00
Recorded money outlay	1,490,641.23
Balance due Southern Pacific Company recorded in open account	311,592.51
Expenditures by The Galveston, Harrisburg and San Antonio Railway Company recorded in open account	41,739.54
Less property retired, credited at	93,563.70

The above outlays may include some or all of the undetermined portions assignable to noncarrier lands of the cost of lands classified therein as partly carrier and partly noncarrier. The Southern Pacific Terminal has not charged to its miscellaneous physical property account any amounts that represent the noncarrier lands. The costs of the above lands so far as they are indicated by accounting records are stated in the chapter on original cost to date.

ORIGINAL COST TO DATE

The original cost to date of the road and equipment, including land, owned by the Southern Pacific Terminal, and used for common-carrier purposes, has not been definitely ascertained, as the necessary records are not obtainable. The data obtained on the outlay for creating and improving the common-carrier property to date of valuation, are those included in the investment in road and equipment accounts as follows:

Recorded money outlay		$1,490,641.23
Expenditures by the Southern Pacific Company recorded as—		
Galveston construction	$1,026,678.50	
Land	205,103.28	
Interest on open account	79,810.73	
		1,311,592.51
Expenditures by The Galveston, Harrisburg and San Antonio Railway Company for improvements		41,739.54
From which should be deducted such portion, not definitely ascertainable, as may be represented by property retired from service, credited at		93,563.70

On account of missing records the expenditures by the Southern Pacific Company were not analyzed.

The above outlays may include some or all of the undetermined portion assignable to noncarrier lands of the cost of lands classified therein as partly carrier and partly noncarrier. The Southern Pacific Terminal has not charged to its miscellaneous physical property account any amounts that represent the noncarrier lands. The costs of the above lands, so far as they are indicated by accounting records, are stated in the section of this chapter that is devoted to cost of lands.

The foregoing statement may also include an undeterminable amount respecting that part of the cost of property abandoned, sold, or destroyed that is in excess of the credits made to the accounts for salvage, proceeds from sale, and loss from such property.

Cost of lands.—The Southern Pacific Terminal reports amounts aggregating $1,100,003.50 as the outlays by itself in connection with lands owned and used by it. A verification of the amounts indicates that $100,000 represents the estimated cost of filling submerged lands and $3.50 represents the estimated cost of recording, which have been deducted. The remainder of $1,000,000 represents the par value of capital stock issued to the heirs of C. F. Huntington in consideration for lands, grants, franchises, and rights, with all improvements. The Southern Pacific Terminal has made no division between the cost of the lands and the cost of improvements thereon. A part of these lands has been classified as carrier, owned and used, and a part as partly carrier and partly noncarrier, owned and partly used.

Cost of machinery and equipment.—The Southern Pacific Terminal reports that on date of valuation it owns and uses one unit of equipment, four roadway machines, and certain machinery with costs aggregating $227,976. After classifying the returns according to the classification of the property to which they apply, the revised returns are summarized as follows:

Classification	Units	Costs supported by accounts	Amounts estimated by the company but otherwise not supported by accounts
Machinery:			
Roadway machines	4	$138	$7
Shop machinery		4,639	3,283
Power-plant machinery		166,042	50,193
Total	4	170,819	53,483
Equipment, work equipment	1	3,223	451

The foregoing statement includes machinery with costs of $624 which are used by The Galveston, Harrisburg and San Antonio Railway Company under its lease of facilities of the Southern Pacific Company at Galveston.

INVESTMENTS IN OTHER COMPANIES

The accounts of the Southern Pacific Terminal recorded balances, as detailed below, aggregating $147,962.44 on date of valuation covering investments in other companies, etc.

Investments in affiliated companies, advances	$41,417.66
Other investments:	
Bonds	106,000.00
Advances	544.78
Total	106,544.78
Grand total	147,962.44

A statement of the recorded investment, with par value and book value, follows:

Item	Par value	Book value
Bonds, United States Government, second 4 per cent Liberty loan bonds	$106,000.00	$106,000.00
Advances:		
Southern Pacific Company	41,291.16	41,291.16
Hospital Association, Southern Pacific Lines	126.50	126.50
Employees for Liberty bond subscriptions	544.78	544.78
Grand total	147,962.44	147,962.44

The considerations recorded as passed in acquisition of the above are summarized below.

Bonds acquired, open account, Southern Pacific Company, $106,000.

Advances, Southern Pacific Company. The open account transactions between the Southern Pacific Terminal and the Southern Pacific Company at date of valuation reflects a debit balance of $41,291.16 which is classified by the former as investments in affiliated companies. The open account with the Southern Pacific Company is a reflection of various transactions, current and financial, between it and the Southern Pacific Terminal. The Southern Pacific Company acts as a clearing house or banker in the collecting and disbursing of current and other transactions for and on account of the Southern Pacific Terminal and other companies affiliated therewith.

A general analysis follows:

Debits

Capital stock at par value	$1,000,000.00
Current assets due from affiliated companies, collected in excess of current liabilities paid	1,586,322.24
Interest on open account debit balances	51,928.34
Total	2,638,250.58

Credits

Capital stock dividends	2,136,440.77
Construction and property at Galveston	311,592.51
United States Liberty bonds, second issue, 4 per cent	106,000.00
Accrued interest on Liberty bonds purchased	606.91
Interest on open account, credit balances	42,319.23
Total	2,596,959.42
Debit balance at date of valuation	41,291.16
Other advances:	
Cash to Hospital Association, Southern Pacific Lines	126.50
Liberty bonds purchased for employees $750.00	
Less collection from employees 205.22	
	544.78

Investment in other companies by the United States Railroad Administration.—Investment in other companies by the United States Railroad Administration during the six months ended on date of valuation aggregate the sum of $58,898.69, as follows:

Southern Pacific Company, current assets of affiliated companies, collected in excess of current liabilities paid		$57,974.29
Employees subscriptions to Third Liberty loan:		
Cash advances to purchase Liberty bonds	$1,200.00	
Less payments by employees	280.00	
		920.00
Hospital Association, Southern Pacific Lines, cash advances		4.40
Total		58,898.69

LEASED RAILWAY PROPERTY

The facilities of the Southern Pacific Terminal were used by other companies on December 31, 1917, to the extent indicated below. The rentals stated as received are applicable to the year ended December 31, 1917. The description

of the property, the period and terms of use, and the rentals accrued and charged or credited to income for the year ending on date of valuation are, as follows:

Solely owned but not used, leased to—	Rentals
The Galveston, Harrisburg and San Antonio Railway Company, land, roundhouse, machine shop, terminal and connection tracks, oil storage facilities near roundhouse, etc., at Galveston. Rental for land, roundhouse, shop facilities, and track $4,369.75 per annum, plus 9 per cent on additions and betterments. Oil storage facilities $321.92 per month, 50 cents per car for switching. Southern Pacific Terminal to pay taxes and keep in repair. Agreement on year to year basis, subject to cancellation by 6 months' notice	$6, 302. 27
Rosenbaum Grain Company of Illinois, grain elevator on Pier "A." Annual rental $30,000. Agreement for a term of 5 years from July 1, 1915, subject to cancellation by 6 months' notice	10, 641. 44
Rio Bravo Oil Company, land and fuel oil storage facilities, $500 per annum for use of land and right of way. Rental of oil storage facilities based on 6 per cent of valuation of $122,077.24 plus same rate on additions and betterments, plus 4 per cent for depreciation, less cost of dredging and filling. Repairs plus 10 per cent to be paid by Oil Company. Agreement subject to cancellation by mutual consent	7, 820. 40
Metals Warehouse Company, warehouses Nos. 1, 2, and 3, office building and lean-to, and storage yard. Rental $653.45 per month, based on 6 per cent on valuation. Agreement effective for 10 years from Oct. 28, 1913, with privilege of renewing for an additional 10 years, after completion of last building on which rental is payable	6, 276. 05
Suderman and Dolson, warehouse and office on Pier "B." Rental $5,100 per annum. Agreement subject to termination by 90 days' notice	5, 071. 69

GENERAL BALANCE SHEET STATEMENTS

The general balance sheet statement of the Southern Pacific Terminal, as of date of valuation follows:

ASSETS

Investments:	
Investment in road and equipment	$2, 749, 316. 48
Investments in affiliated companies, advances	41, 417. 66
Other investments—	
Bonds	106, 000. 00
Advances	544. 78
Total	2, 897, 278. 92
Current assets:	
Cash	22, 973. 40
Miscellaneous accounts receivable	12, 269. 10
Interest and dividends receivable	630. 47
Rents receivable	104, 950. 86
Total	140, 823. 83

Deferred assets, other deferred assets	$27, 889. 14
Total	27, 889. 14
Unadjusted debits, other unadjusted debits	1, 129. 62
Total	1, 129. 62
Grand total	3, 067, 121. 51

LIABILITIES

Stock, capital stock	2, 000, 000. 00
Total	2, 000, 000. 00
Current liabilities, audited accounts and wages payable	195. 37
Total	195. 37
Deferred liabilities, other deferred liabilities	93, 236. 78
Total	93, 236. 78
Unadjusted credits:	
Tax liability	16, 024. 71
Accrued depreciation, road	110, 740. 87
Accrued depreciation, equipment	487. 50
Other unadjusted credits	2, 586. 66
Total	129, 839. 74
Corporate surplus, profit and loss, credit balance	843, 849. 62
Total	843, 849. 62
Grand total	3, 067, 121. 51

The general balance sheet statement of the United States Railroad Administration, as of date of valuation, covering operation of the property of the Southern Pacific Terminal, follows:

ASSETS

Investments, other investments, advances	$58, 898. 69
Total	58, 898. 69

Current assets:	
Cash	*Cr. $13, 940. 93*
Net balance receivable from agents and conductors	57. 03
Miscellaneous accounts receivable	49, 466. 24
Material and supplies	2, 111. 79
Total	37, 694. 13
Deferred assets, other deferred assets	93, 236. 78
Total	93, 236. 78
Unadjusted debits, other unadjusted debits	4, 652. 04
Total	4, 652. 04
Grand total	194, 481. 64

LIABILITIES

Current liabilities:	
Audited accounts and wages payable	8, 230. 50
Miscellaneous accounts payable	9, 536. 06
Other current liabilities	757. 00
Total	18, 523. 56
Deferred liabilities, other deferred liabilities	24, 122. 17
Total	24, 122. 17
Unadjusted credits:	
Tax liability	37, 013. 25
Operating reserves	12, 633. 02
Accrued depreciation, road	10, 468. 50
Accrued depreciation, equipment	37. 50
Other unadjusted credits	886. 18
Total	61, 038. 45
Corporate surplus, profit and loss, credit balance	90, 797. 46
Total	90, 797. 46
Grand total	194, 481. 64

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U. S. Interstate commerce commission.
Valuation docket no. 863 et al: Galveston, Harrisburg and San Antonio Railway co et al.

END OF
TITLE